SPECIAL: HOW TO GET RICH

business today
for managing tomorrow

July 8, 2012 ₹30

WATCH YOUR STEP

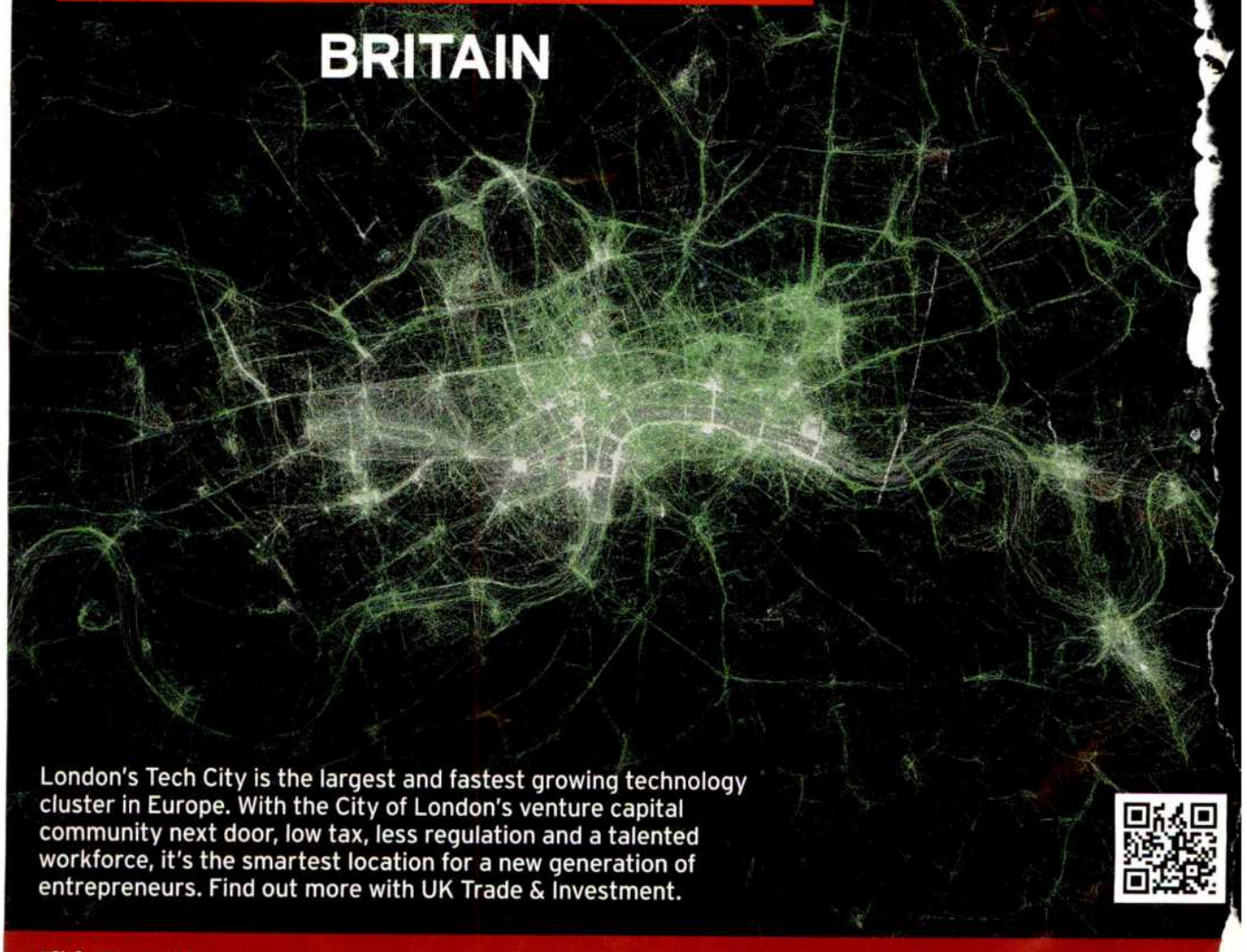
The economy is on slippery ground but it can still avoid a fall

EEK SHADOW R EUROZONE 14 | WHAT NEXT FOR RAJAT GUPTA? 34 | CASE STUDY: HOW VOLVO TRIUMPHED 99

THE INDIA TODAY GROUP

TECHNOLOGY IS GREAT

BRITAIN



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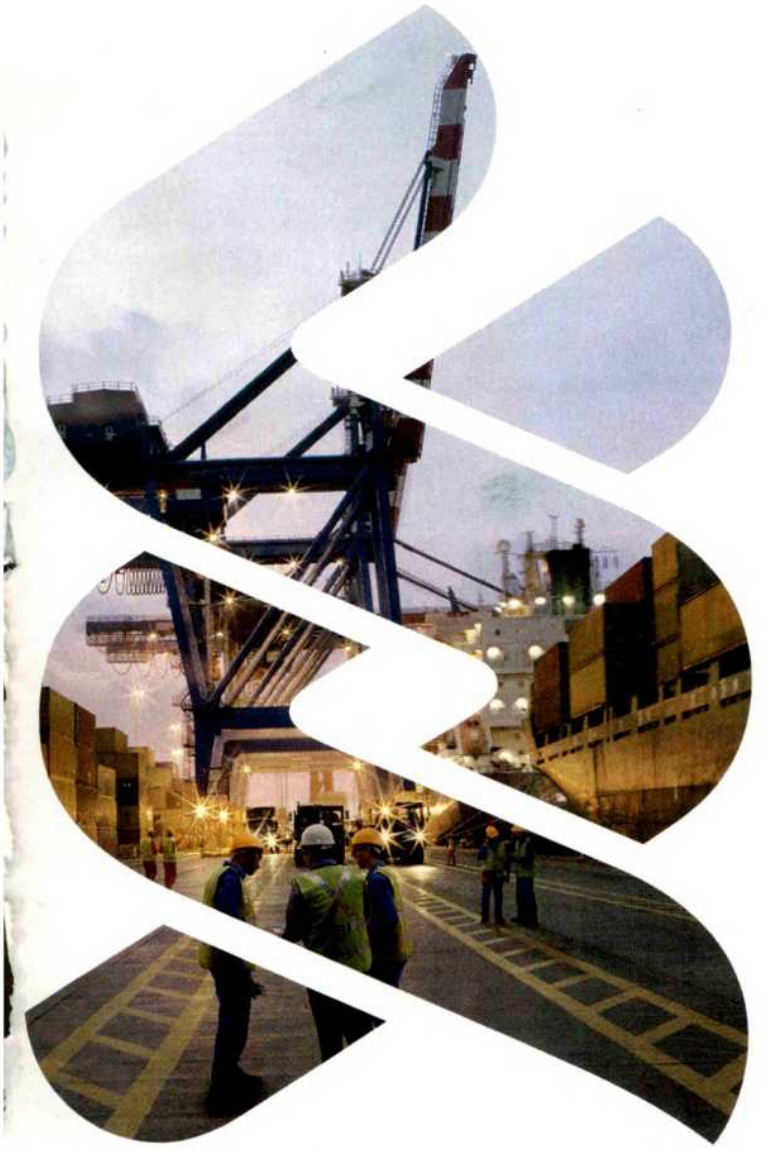

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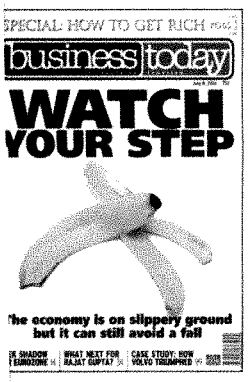
From the Editor

₹ 33,146

Three economists are gazing at a glass half full of water. The optimist sees a glass half full. The pessimist sees a glass half empty. The realist picks up the glass and drinks the water.

I'm sure you've heard that joke, but we are hard put to find some levity as we are swept along by the rapids. We Indians excel at self-flagellation. When a hapless Congress was being pushed around by Mamata 'Kolaveri' Di, it was worth remembering that West Bengal is larger in population than Germany, and that Bengalis are at least not stocking up on *aloor dom* and *mishtidoi*. Panic-stricken Greeks were pulling out all their money from banks and hoarding tzatziki and feta cheese ahead of the June 17 election. Yes, India's growth in the January-March quarter did slow to 5.3 per cent, the slowest in nine years, but the shelves in my neighbourhood hypermarket were groaning with food and other fast-moving consumer goods. Our foreign exchange reserves have shrunk, but are still enough to fund seven months of imports. In Greece, they have money for just a few weeks left, and more and more homeless people are lining the streets with each passing day. Of course, if Greece does exit the Eurozone, there will be worldwide repercussions, not least in India. To get an idea of what to expect read Ajay Mahajan's sobering column on page 14.

This issue of the magazine went to press with many portentous events about to take place – the Greek vote, the Reserve Bank of India's policy meeting, the election of India's new President, and perhaps even a credit downgrade by S&P. Fiscal and current-account deficits be cursed – for the first time in months we saw pictures of a beaming, toothy Pranab Mukherjee after the UPA named him as its presidential candidate. As they say, when the going gets tough, Indian chiefs look for greener grass. Sorry for the mixed metaphors but that is what poor, sunburnt Indians spout when their finance minister speaks longingly about taking walks on the lush lawns of Rashtrapati Bhavan.



The "glass half empty" brigade was also downcast by news of Rajat Gupta's conviction. *Business Today* commissioned Betwa Sharma in New York to write an exclusive series of courtroom reports during Gupta's 16-day trial. In case you missed some of it, catch up on the gripping trial at *www.businesstoday.in/rajatgupta*.

I was very proud to read this fortnight's cover package. We decided to travel across India and look at how different states and regions were coping with the downturn. Our team (Suveen Sinha, Anand Adhikari, N. Madhavan, Suman Layak, Sebastian PT, and Shweta Punj) braved the worst of summer heat to bring back great reportage and clear voices from Delhi, Patna, Sangli, Virudhunagar, Raipur and Bundelkhand. Many of their tales are positive, but there are a few negative ones, too. The cover package starts from page 38. Don't miss the crisp interview with Anand Sharma either; he is one of the contenders for the Finance job.

We do not call a spade a trowel, and are sometimes chided for calling it right. So we bring you a magnificent package on Getting Rich starting on page 65 that should evoke images of well-shod feet treading pile carpets in dark rooms fragrant with perfume and cigar smoke where the more successful among us luxuriate. Alokesh Bhattacharyya seemed positively chuffed as he shepherded the stories about great investments you can park your billions in: Manu Kaushik wrote about buying choice land; Govind Dhar painted a good guide to art; Pierre Mario Fitter shone a bright light on diamonds; Sunny Sen took a sober look at top quality wines and whiskies; and Rajiv Bhuvatook stock of select opportunities in company shares. May you get rich soon.

Chaitanya Kalbag

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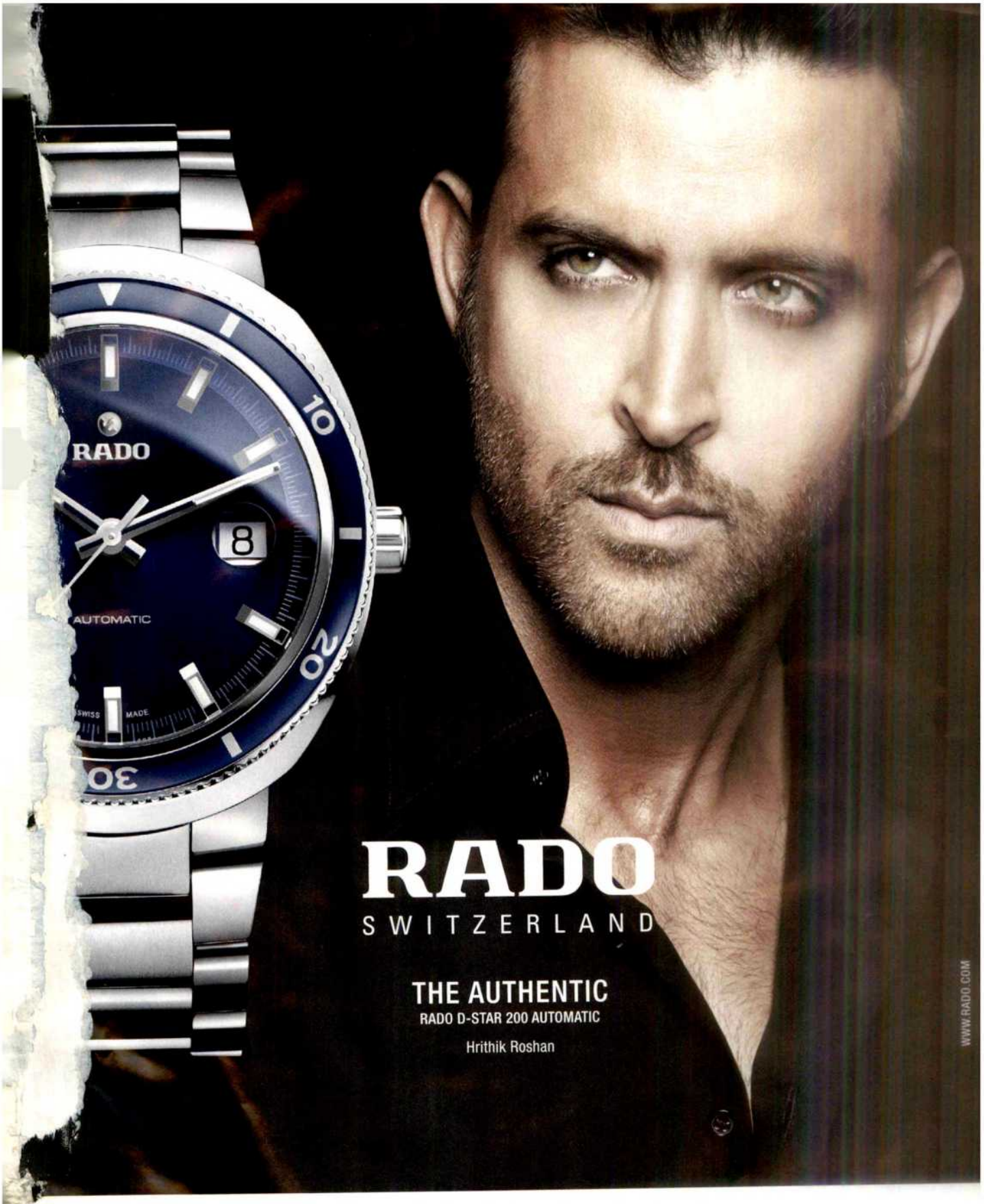

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GET RICH

For its first-ever "Get Rich" special, *Business Today* talked to investors and experts about how to maximise returns on five kinds of assets: art, real estate, wine, stocks and diamonds. ▸

WATCH interviews with experts and investors on what risks to look out for. **LISTEN** to podcasts with our authors about how to make these investments work for you. ▸

businesstoday.in/getrich

PODCAST

The Devil Is in Retail

Business Today's **Suman Layak** on the challenges ahead as the Indian retail industry attempts to grow.

businesstoday.in/retail-podcast

PERSPECTIVES

RIL's Options

Mukesh Ambani of Reliance speaks out at the annual AGM, covered by Suman Layak. ▸

businesstoday.in/ril-agm

Beating the Retreat

Wipro's Manish Dugar says his departure from the company – where he was a rising star – was a "lifestyle choice", finds Goutam Das. ▸

businesstoday.in/dugar

Gold Rush

The weak rupee pushes gold prices to record highs, says Rajiv Bhuva. ▸

businesstoday.in/gold-rush

Brave Front

There were uncomfortable questions from the audience at the Infosys AGM, says Goutam Das. ▸

businesstoday.in/infy-agm

Notes from the Hinterland

As part of our cover story on the economy, *BT* writers travelled to Chhattisgarh, Bundelkhand, Sangli and Virudhunagar to gauge the impact of the economic decline. Read their stories at:

businesstoday.in/chhattisgarh-economy
businesstoday.in/bundelkhand-economy
businesstoday.in/sangli-economy
businesstoday.in/virudhunagar-economy

BLOGS

Taslima Khan
Startup Today

A new online platform aims to match investors with qualified entrepreneurs.
businesstoday.in/startuptoday

Uma Asher
Word Mentality

The constant use of the word "normal" is a bit abnormal.

businesstoday.in/uma

BT

SMART READER CONTEST

Answer this simple question by July 12 and get a chance to win a Reebok bag.

Which was the first state in the country to start the scheme of distributing free bicycles to schoolgirls?
(a) Bihar (b) Kerala (c) Chhattisgarh

Correct answer to June 10 issue's question:
Which of the following Bollywood actors does not model for Vi John products, but for those of its rival?
(b) Katrina Kaif
Winners: Moumita (Mumbai), Kartik (Surendranagar, Gujarat), Karan (Mumbai)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 147 correct responses

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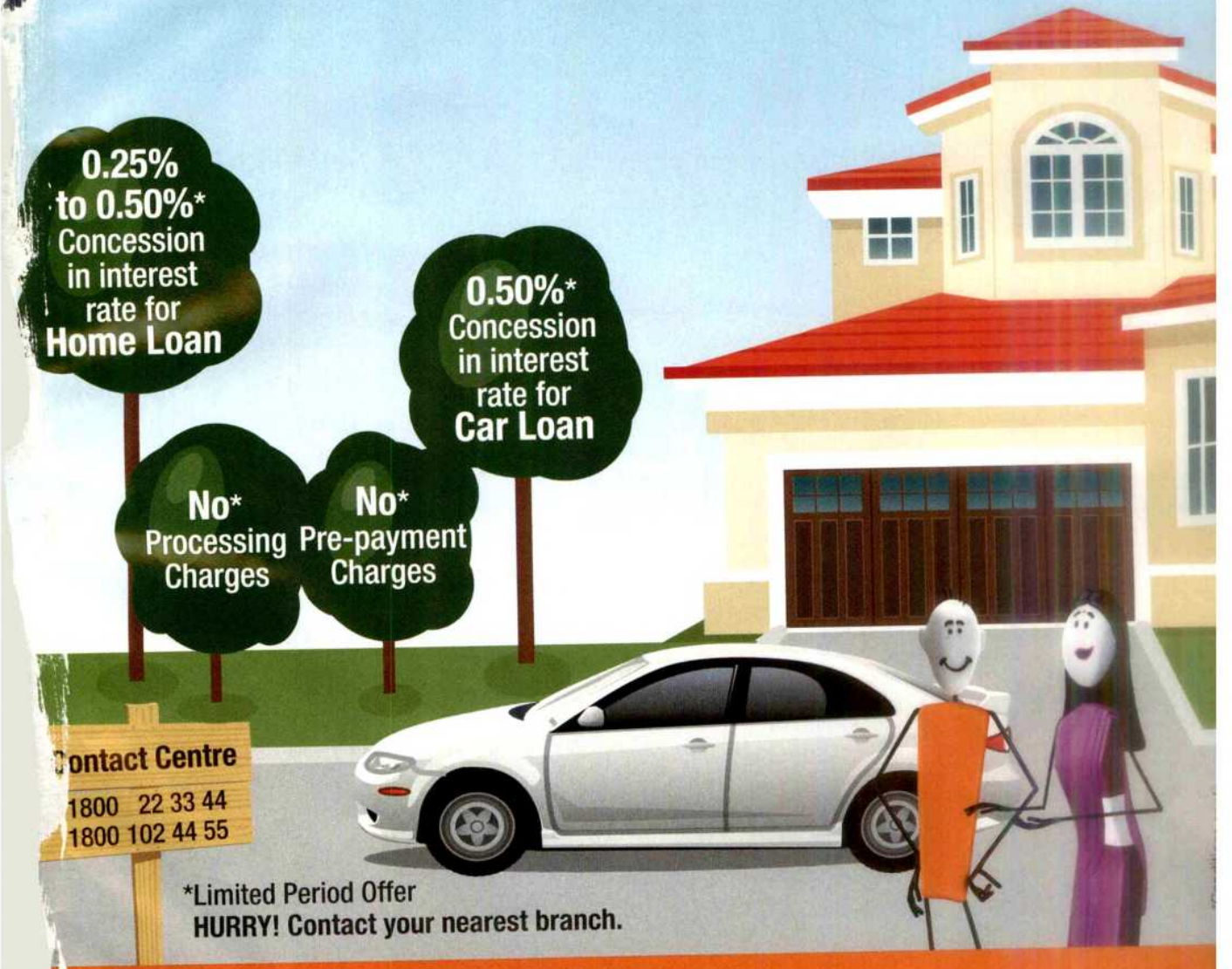

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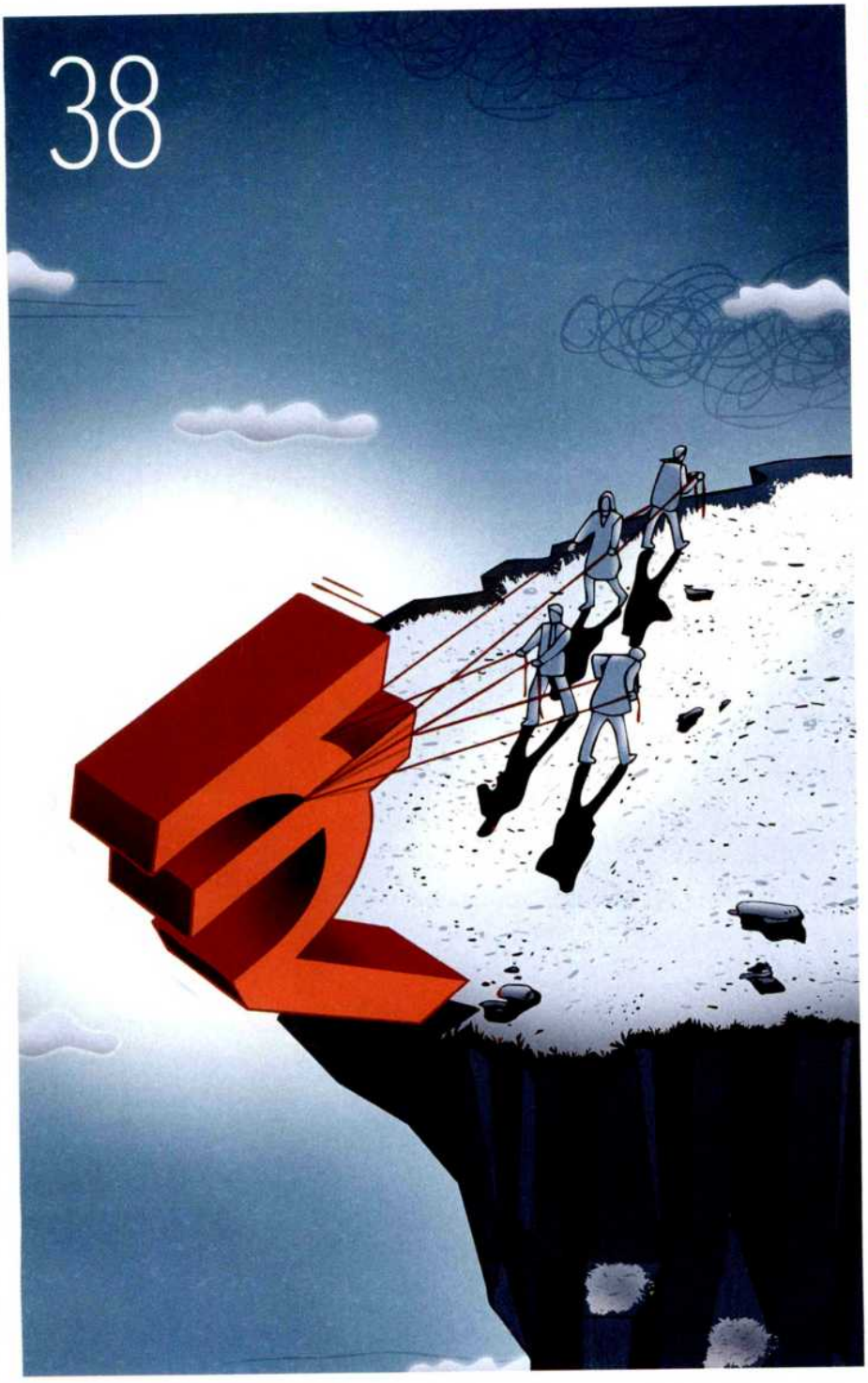

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Lost Midas Touch

Your cover story (*We Lost the Plot*, June 24) takes us through Kishore Biyani's mindscape. It gives us insights into the man and his mission. He had scripted his business plans very well and revolutionised the way the retail business is conducted in India. He had a firm grip on his business but the euphoria of success made him embark on haphazard expansion. He behaved like King Midas, raised huge loans for some ill-conceived projects, which paved the way for his undoing. But he was quick to read the writing on the wall and took the right decision to sell Pantaloons and considerably reduce his debts before it was too late.

Vinod Kumar, *Delhi*

Down But Not Out

Your cover story was a gripping tale about Indian retail, focusing sharply on the operating style of key players. The interview with Kishore Biyani starkly brought out the different dimensions of his business strategies, his experience and the lessons he learnt from it, his original outlook and practical ideas. Never mind the temporary setback that has forced him to sell part of his empire. He is still the Indian forerunner of the organised retail business with his innovative approach and exemplary execution of the customer-centric retail model, providing greater value for money for all.

B. Rajasekaran, *Bangalore*

Tangled Wings

Air India needs professional management to run profitably. The airline is not able to capitalise on the growing propensity for air travel and continues to suffer losses (*Anatomy of a Failed Merger*, June 24). The real reason for Air India's losses must be unearthed. Is it high operational costs, high taxes or wasteful and avoidable expenditure? Since the government has failed to help the airline, it would do better by selling it to the private sector.

Mahesh Kapasi, *Delhi*

On Homeground

Reading about home-grown companies, (*Desi Boys*, June 10), I was surprised to learn that these companies are so popular. Some might think MNCs with their large marketing teams and huge budgets are the last word in sales and distribution. But these companies have bested the MNCs. Sure, they still face challenges. There are challenges at two levels. The first is gaining national acceptance. The second is the need to keep researching, creating new products.

Mani K., *Mumbai*

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Kingfisher Airlines bailout: Buzz rises on Vijay Mallya selling stake in United Spirits: Mallya enjoyed a lot, it is now payback time.
Rakesh Kapur

IIP data disappoints Pranab, says government committed to reforms: He has been saying the same thing that the government is committed. I think he is lost.
Jagadeeshwara P. Koduru

Apple Macs get Lion of an OS: Is Apple better than Google
Avinash Kumar

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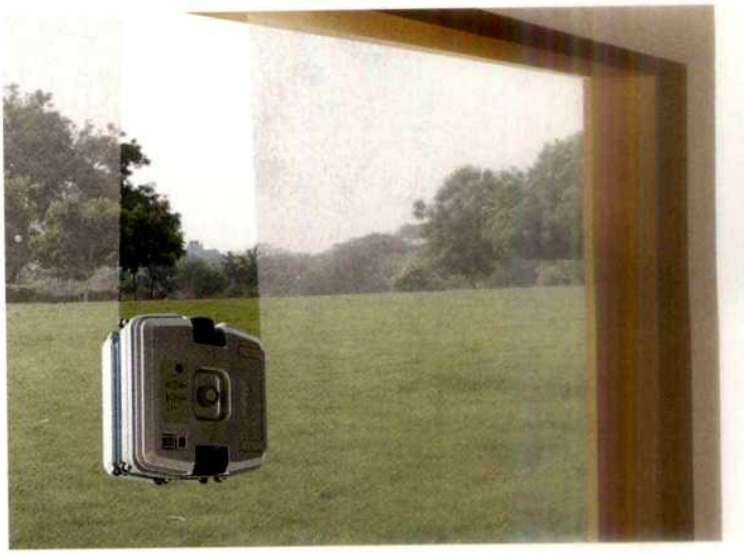

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Battery	Lithium Ion (11 v 2200 mAh), Out (7.4 v 2200 mAh)	
Charging Time	Around 150 minutes	
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PIB

Pranab As President: The race for Raisina Hill is virtually over. Finance Minister Pranab Mukherjee (seen fourth from left at the UPA meet where his candidature was announced by alliance Chairperson Sonia Gandhi) is all set to occupy the country's highest post. With the SP, BSP, and other parties offering support, West Bengal Chief Minister Mamata Banerjee, who opposed his candidature was left stranded.

Corporate

Corporate leaders are worried about India's image. Among the latest to express their anguish were tech giants **N.R. Narayana Murthy** and **Azim Premji**. The Infosys co-founder Murthy said he felt sad at the state of affairs, but the problems were self-created and could be corrected. Wipro's Chairman Premji's blunt assessment was that the country was working without a leader, and if things did not change, India would fall behind for years.

Big corporates are chasing new domain names. **Reliance Industries wants Web suffixes .indians, .reliance and .ril; Tata Sons Ltd, .tata; Bharti Aritel Ltd, .bharti and .airtel.** Wal-Mart Stores Inc., JPMorgan Chase & Co., Microsoft Corp and Apple Inc are applying for .walmart; .jpmorgan; .microsoft and .apple, respectively.

CARICATURE BY RAJAT BARAN

The government, caught on the wrong foot on shady defence deals, has suspended the Chairman and Managing Director of Bharat Earth Movers Ltd, V.R.S. Natarajan. Former Indian Army chief V.K. Singh had alleged that he was offered a ₹14-crore bribe to buy a faulty batch of Tatra trucks. BEML assembles the trucks for the Army.

Texan financier Allen Stanford has been sentenced to 110 years in prison for a $7-billion Ponzi scheme. Stanford had promised investors handsome returns if they purchased certificates from his Stanford International Bank based on the Caribbean island of Antigua. Instead, Stanford used the money to buy yachts and private jets.

Reliance Industries' CMD Mukesh Ambani, at odds with the petroleum ministry over falling KG-D6 gas output, has presented upbeat prospects for the company at the recent annual general meeting. Ambani sees the company's retail business taking centre stage in the months to come. He said RIL's broadband wireless plans would be a significant value creator for the firm and its shareholders. Reliance shares have risen barely 4.4 per cent this year, trailing a seven per cent rise in the Sensex.

Nokia, fighting Apple and Samsung for market share, is all set to cut nearly 10,000 jobs globally by the end of 2013 and shut down some facilities. There will be no impact on its Indian operations. The mobile handset major employed 1,22,148 people as on March 31, 2012. Of these, 68,595 were employed by Nokia Siemens Networks. The move will result in closing research and development projects in Germany and Canada. Nokia also has plans to divest its luxury mobile phones business, Vertu, to European private equity firm EQT VI.

ING Bank will pay a record penalty of $619 million for illegally moving billions of dollars through the US banking system on behalf of Cuban and Iranian clients.

Economy

Global ratings agency **Standard & Poor's** has warned that India may lose its investment grade. If that happens, India will be the first BRIC (an acronym coined by Goldman Sachs economists to group the emerging economies of Brazil, Russia, India and China) nation that may be downgraded to 'junk' status. Fitch Ratings said Europe's sovereign debt crisis may pressure the ratings of India and other Asian nations. **Finance Minister Pranab Mukherjee**, however, was confident of a turn-around in the economy in the coming months.

Industrial output, which dropped sharply to 0.1 per cent in April from 5.3 per cent a year ago, added to the gloom. Inflation accelerated in May, rising higher than that of the major economies and India's peers in BRIC. **Food and fuel prices contributed to the 7.55 per cent rise in the wholesale price index over a year earlier**, up from 7.23 per cent in April. Trade data showed exports slumped more than four per cent in May from a year earlier, the second fall in three months. The trade deficit widened to $16.3 billion.

Gross corporate tax collections slipped by 2.82 per cent to ₹24,329 crore in the first two months of the current financial year, compared with ₹25,035 crore in the year-ago period. However, growth in personal income tax ensured that gross direct tax collections rose by four per cent to ₹52,232 crore in the April-May perod from ₹50,407 crore in the year-ago period.

40,000

Estimated jump in barrels per day of crude oil production from the Organisation of the Petroleum Exporting Countries in May. The May output of 31.75 million barrels per day, as compared to 31.71 million barrels per day in April, is the highest since October 2008 when OPEC volumes averaged 32.26 million barrels per day.

$1 trillion

Global merger and acquisition deal volumes in May, taking a month longer to reach the psychological mark than last year. This year it took 145 days (till May 28) to reach the $1 trillion mark, while last year it reached the level in just 118 days (till April 28), according to Dealogic data.

Markets

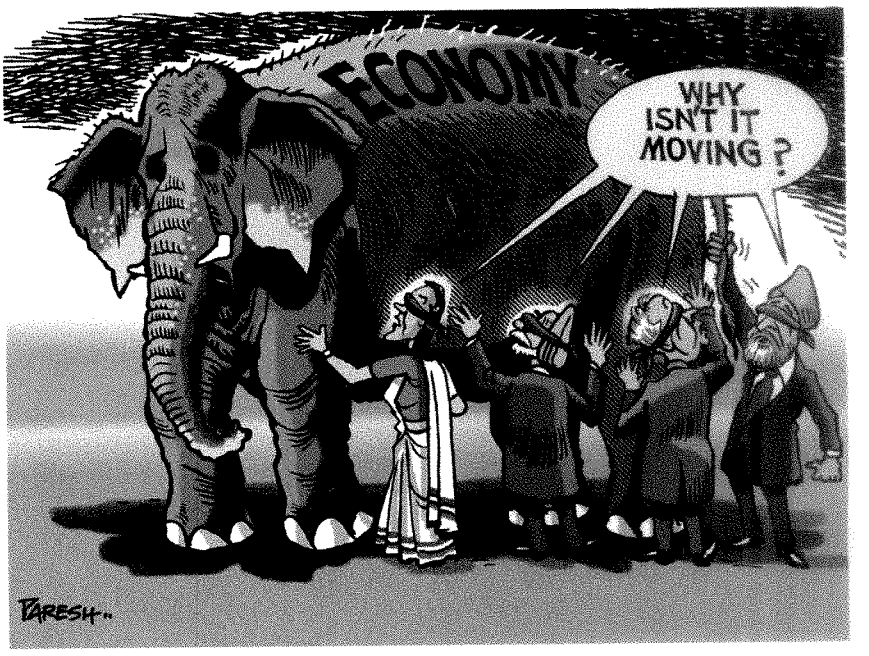
India managed to avoid US financial sanctions over the issue of Iranian oil imports. India and six other nations will not be penalised as they have proved that they have reduced the volume of oil they import from Iran. India is Iran's second biggest crude client.

Are Indian stocks expensive? Indian equities are trading at about 30 per cent premium to emerging markets, says Allan Conway, head of global emerging market equities at Schroder Investment Management Ltd.

The finance ministry has directed all public sector banks to work out a mechanism to address customer complaints within 21 days.

Coming Up

- The Reserve Bank of India will discuss exchange rate volatility and export credit issues with export assocations and banks on June 21.
- Bullet trains, with speeds up to 300 km an hour, between Mumbai and Ahmedabad, will be a reality soon. The 492-km stretch will be covered in two and a half hours, as opposed to seven hours now.
- Over 130 heads of states will attend the Rio+20 summit from June 20 to 22. Non-binding sustainable development goals in areas such as food security, water and energy are on the cards.



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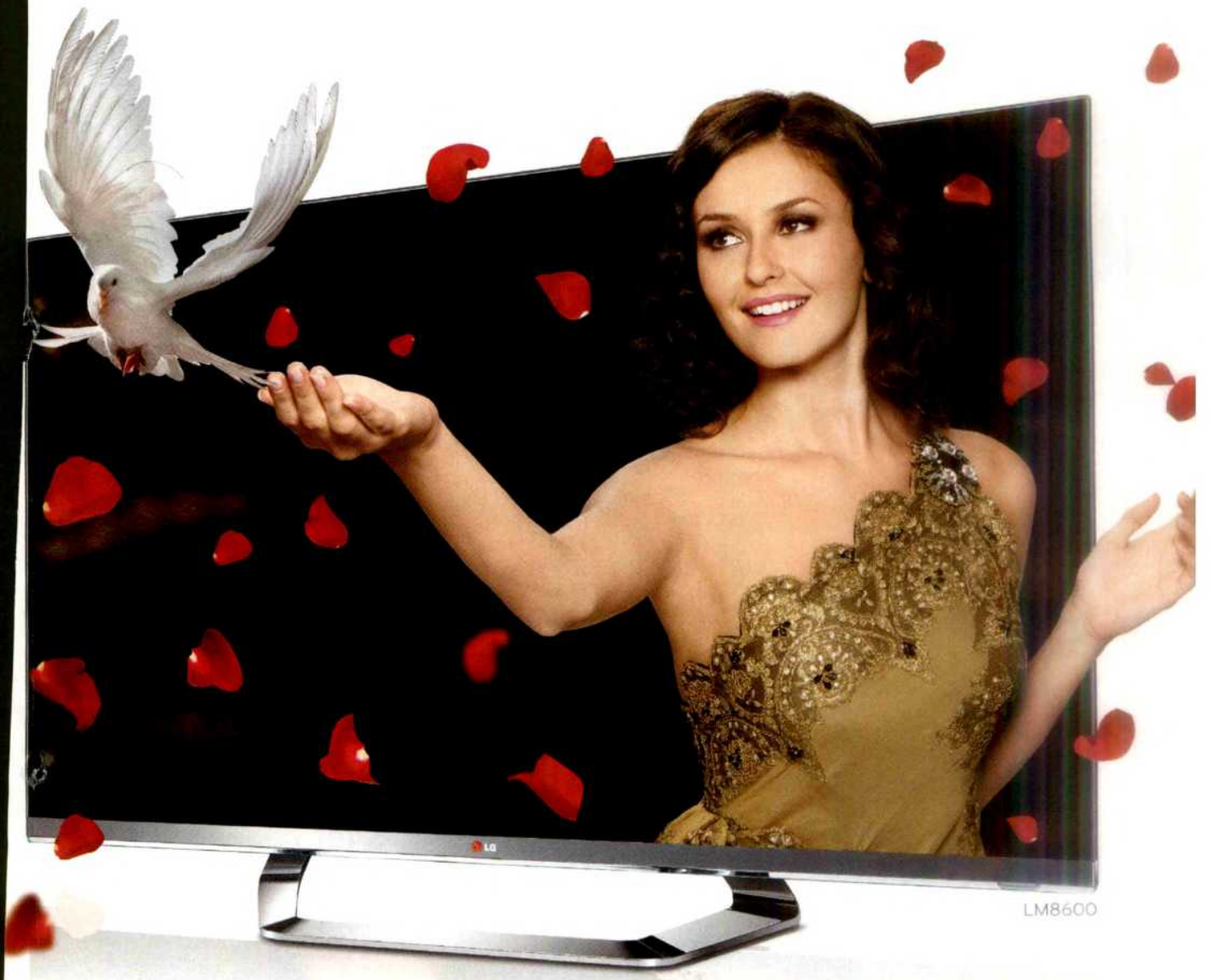

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FOCUS

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Apocalypse Now?

If Greece exits the Eurozone, no economy will emerge unscathed, least of all India's. By AJAY MAHAJAN

EDGE OF THE CLIFF

CONTOURS OF EUROPE'S GROWING CRISIS

Greece's GDP to contract this year by
4.7%

Portugal's GDP to fall by
3.3%

Unemployment in Greece
22%

Unemployment in Spain
24%

Unemployment in Portugal
15%

***In Greece, Ireland, Italy, and Portugal public debt exceeds 100% of GDP**

***Spain's debt rating downgraded by Moody's to near 'junk' status**

***A surge of withdrawals for Spanish banks in May**

The Eurozone has held global markets to ransom for several months now. The trouble began with some of the peripheral economies, but is now increasingly becoming a contagion that threatens the political and economic stability of Europe.

Gross domestic product (GDP) will contract 4.7 per cent this year in Greece and 3.3 per cent in Portugal, according to an International Monetary Fund estimate. There is 24 per cent unemployment in Spain, 22 per cent in Greece and 15 per cent in Portugal. Public debt already exceeds 100 per cent of GDP in Greece, Ireland, Italy and Portugal. These countries, along with Spain, are now effectively shut out of the bond market.

As for banks in the peripheral economies, traditional sources of bank financing have had to be substituted by financing with external commercial bonds, while money held by high net worth individuals has slowly been exiting. And if Greece were to exit the Eurozone, a deposit freeze would occur and euro deposits in Greece would be deemed much riskier than in other Eurozone countries.

More worryingly, there was a surge of withdrawals from some Spanish banks last month.

The credit crunch in the Eurozone banks on the periphery remains severe. Unable to achieve the new nine per cent capital target by raising private capital, banks are selling their assets and contracting credit, thus making the Eurozone recession more severe.

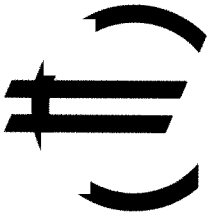
Spain's borrowing costs reached around seven per cent this week, the highest ever since the birth of the euro. Spain's financial woes were compounded after Moody's downgraded its debt rating to near 'junk' status. Italy, widely considered the next victim of the crisis, has its yields trade well above six per cent.

So what are the solutions? There are no easy ones. Key steps would include bank re-capitalisation, European deposit insurance and debt mutualisation – which involves euro bonds being issued guaranteed by all European Union member-states. This would set a 'risk-free' interest rate and bail out weaker economies.

Germany, one of the few European economies that remain robust, is not convinced. Chancellor Angela Merkel has repeatedly warned against overburdening the German economy in efforts to save the Eurozone. In a speech to the German Parliament recently, Merkel reiterated her refusal to back calls for common Eurozone bonds and a Europe-wide deposit guarantee scheme for banks. While most analysts believe Germany will eventually come around, for now the German Chancellor seems convinced that Germany does not have infinite resources to keep underwriting the obligations of one troubled European country after another. Instead it seeks negotiations towards a 'fiscal union' that would bind the members' budgets closer together.

What next? Rating agency Standard & Poor's has said the Eurozone has entered "a crucial phase" in which the outcome of Greece's elections on June 17 and upcoming policymaker meetings "will play a significant role in defining its future direction".

While the global mood is very cautious, Greek stock markets gained 10 per cent on unconfirmed rumours that pro-bailout parties were gaining ground and that the



THERE IS ALSO A CASE FOR NOT FRONT-LOADING TOO MUCH AUSTERITY LEST IT SHOULD LEAD TO MUCH SLOWER GROWTH

EU was now more prepared to renegotiate the recent rescue deal.

On balance, while Germany insists that austerity is the only way to go, there is a case for not front-loading too much austerity, lest it lead to much slower growth. Any major growth slowdown will hurt Germany too – it sells almost 45 per cent of its total exports to other countries in Europe. Urgent structural reforms are needed to jump-start growth. Without growth, the social and political fallout of austerity will be terrible. Lastly, monetary policy in Europe needs to loosen more and the euro needs more weakening against the dollar. These steps are needed to keep the current situation from leading to a full-fledged banking crisis that could even disintegrate the EU.

GERMANY, ONE OF THE FEW EUROPEAN ECONOMIES THAT REMAIN ROBUST, IS NOT CONVINCED. CHANCELLOR ANGELA MERKEL HAS REPEATEDLY WARNED AGAINST OVER-BURDENING THE GERMAN ECONOMY IN EFFORTS TO SAVE THE EUROZONE

Apart from the Greek vote, investors have to be prepared for a number of other generally negative catalysts. Recent data from the US has been mixed and the market is keenly awaiting next week's Federal Reserve monetary policy decision. Consistently worsening economic data is actually driving up market expectation for more monetary easing, driving prices of precious metals and high yielding currencies up in the bargain.

So how will all of this impact India? Badly, to say the least. India has had a double whammy of poor overseas investment interest as a result of weak global economic outlook, and serious domestic issues spanning poor governance, lower investment demand and sharply slowing GDP. Growth hit 5.3 per cent in last quarter of the last fiscal year, inflation remains sticky at 7.5 per cent and the Indian currency is 26 per cent weaker in a year, the steepest fall ever. While there is a silver lining in the 20 per cent fall in crude prices recently, it is too early to cheer. A lot depends on the shape the Eurozone crisis takes from here, and more importantly, how the government extracts itself from the policy paralysis and takes some credible steps to get growth back on the agenda.

The recent spate of weak economic indices coupled with a severe global slowdown led by Eurozone concerns does not bode well for this year's growth either. The average of various estimates put India's growth in 2012/13 at around 6.5 per cent this year which a far cry from the momentum of eight to nine per cent achieved just a couple of years ago.

If Greece actually makes a disorderly exit from the Eurozone, no economy will emerge unscathed, least of all India's. Whether the pro-austerity parties get voted in or not, Greece's exit leading to market turbulence is in no one's interest. Elections everywhere have endorsed an anti-incumbency wave, which must worry the Barack Obama administration as well, since the US goes to the polls in November this year. Political stability and economic stability of the Eurozone is equally important to the US.

The sword of the Eurozone's debt crisis hanging over the world is a well-known fact. It remains to be seen if the stronger European economies do all they can to save the EU from a full blown crisis. The road ahead is very rough, though we remain hopeful. ◆

The author is Founder and Managing Director of FICC Capital

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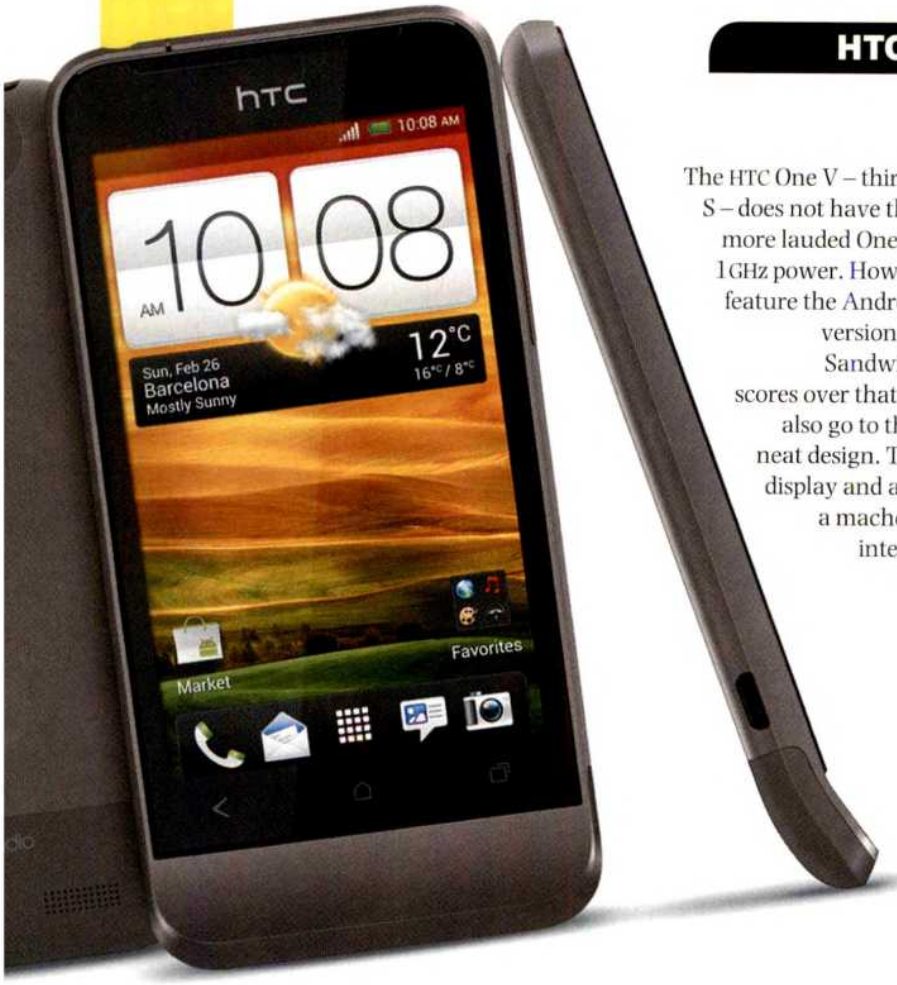

HTC One V **Price:** ₹19,399

Third Sibling

The HTC One V – third in the series, after One X and One S – does not have the cutting edge specifications of the more lauded One X. Its processor is single-core, with 1 GHz power. However, it is among the first phones to feature the Android 4.0 operating system (the latest version of the Android, dubbed 'Ice-Cream Sandwich' by its makers). Its performance scores over that of competitors. Some credit should also go to the HTC Sense user interface and the neat design. The 'unibody' form, with a 3.7-inch display and a curved chin at the bottom, gives it a macho feel. The One V also has 'Dropbox integration' offering 25 GB free storage for two years.

Pleasing design, latest Android 4.0 OS

Lacks dual-core processor, onboard storage space small

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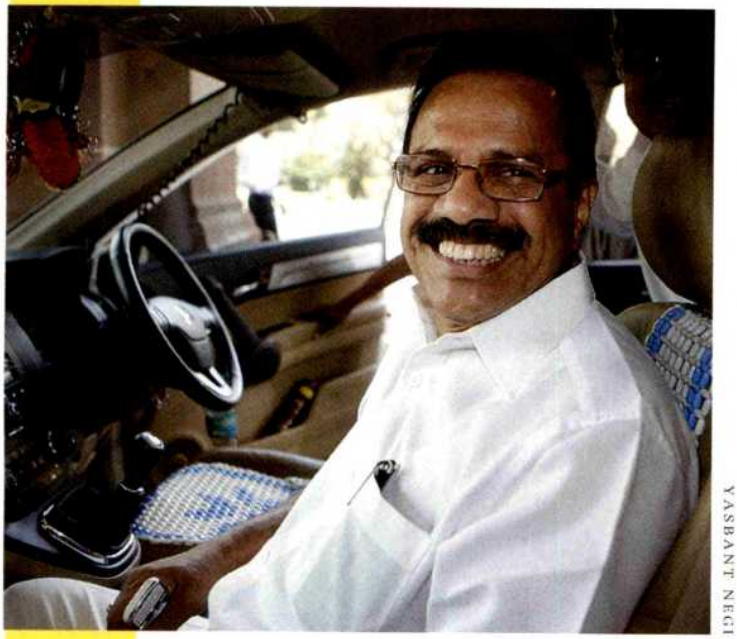
Red Carpet Welcome

Karnataka's BJP regime is wooing investors by promising early approvals. By K.R. BALASUBRAMANYAM

Karnataka Chief Minister D.V. Sadananda Gowda, who heads a high-level committee that clears investments in the state, got a pleasant surprise in May. Rajasthan-headquartered Shree Cement praised the Chief Minister and his administration in a letter for issuing a government order within 24 hours of clearing its project.



YASBANT NEGI

"EVERY INVESTOR WILL BE ASSIGNED A RELATIONSHIP OFFICER, WHO WILL ACT AS THE SINGLE POINT OF CONTACT FOR INVESTORS"

D.V. Sadananda Gowda
Chief Minister, Karnataka

Earlier, such compliments were usually reserved for Gujarat Chief Minister Narendra Modi, also from the BJP. Karnataka, as an official puts it, is following in the footsteps of Gujarat in fast-tracking industrial investments and increasing investor confidence. At a global investors meet, which the government hosted in Bangalore on June 7 and 8, investors put forward proposals worth ₹7.6 lakh crore.

Investors in Karnataka have often complained about the red tape and corruption in allotment of industrial land, and long delays by government agencies in granting approvals. Entrepreneurs have also said that the government needs to cut the number of approvals needed for a project.

The government says it is trying to address each issue. "Every investor will be assigned a Relationship Officer who will act as the single point of contact," said Gowda, speaking at the investor meet. The new thinking in Bangalore is that an investor should identify land for a project much before the proposal reaches the committee on investments for a decision. To simplify things, in cases where the land required is below 30 acres, the government plans to empower officials to decide on the price.

"We have a voluntary land-surrender scheme under which farmers can offer their land in places we need. The response from farmers to our recent advertisement has been encouraging," says M.N. Vidyashankar, Principal Secretary, Commerce & Industries, Karnataka. To speed things up, the Industrial Land Areas Development Board, which comes under his purview, will itself take approvals from the Pollution Control Board instead of leaving it to the investor.

"We are planning to lay down the timeline within which different authorities would be required to process an investor's application and issue approvals. This will speed up projects," says Chief Secretary S.V. Ranganath. Karnataka is also in the process of creating an online tracking system, and each investor can use it to track the progress of his project.

The government is also citing its sound finances to business leaders. While the Thirteenth Finance Commission requires states to bring their debt to gross state domestic product (GSDP) ratio below 24.2 per cent by 2014, Karnataka met the condition last year itself. Total revenues, including the Centre's share, account for 15.3 per cent of GSDP. The state's own share is 10.1 per cent . "This means that we are in a position to allocate funds for infrastructure on a sustained basis," says L.V. Nagarajan, Principal Secretary, Finance. ◆

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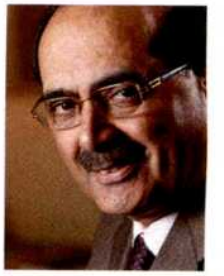
"It's not a big thing. Investors are not unduly concerned about the warning. This is also because India is not a major borrower in global markets"

Rashesh Shah, *Chairman, Edelweiss Group, in* The Times of India

"This (S&P report) is not based on a fresh rating action... Between April 2012 and now there are no significant events to indicate that the economy's vulnerability to shocks has increased, though the growth numbers for the fourth quarter 2011/12 have come below expectations"

Pranab Mukherjee, *Finance Minister, on* CNN-IBN

"It is a bit of a stretch to say that the Indian economy is back to its bad old days. The scale and scope of the Indian economy is at a much different level than it was in the 1990s and its ability to recover rapidly is very strong"



Romesh Sobti, *MD & CEO, IndusInd Bank, in* The Times of India

"SETBACKS OR REVERSALS IN INDIA'S PATH TOWARDS A MORE LIBERAL ECONOMY COULD HURT ITS LONG TERM GROWTH PROSPECTS, AND THUS, ITS CREDIT QUALITY"

S&P in its report, quoted by wire agencies

"The government and the finance ministry are in denial and are actually shooting the messenger by denying the report"

Mohandas Pai, *Chairman, Manipal Global Education Services, on* NDTV

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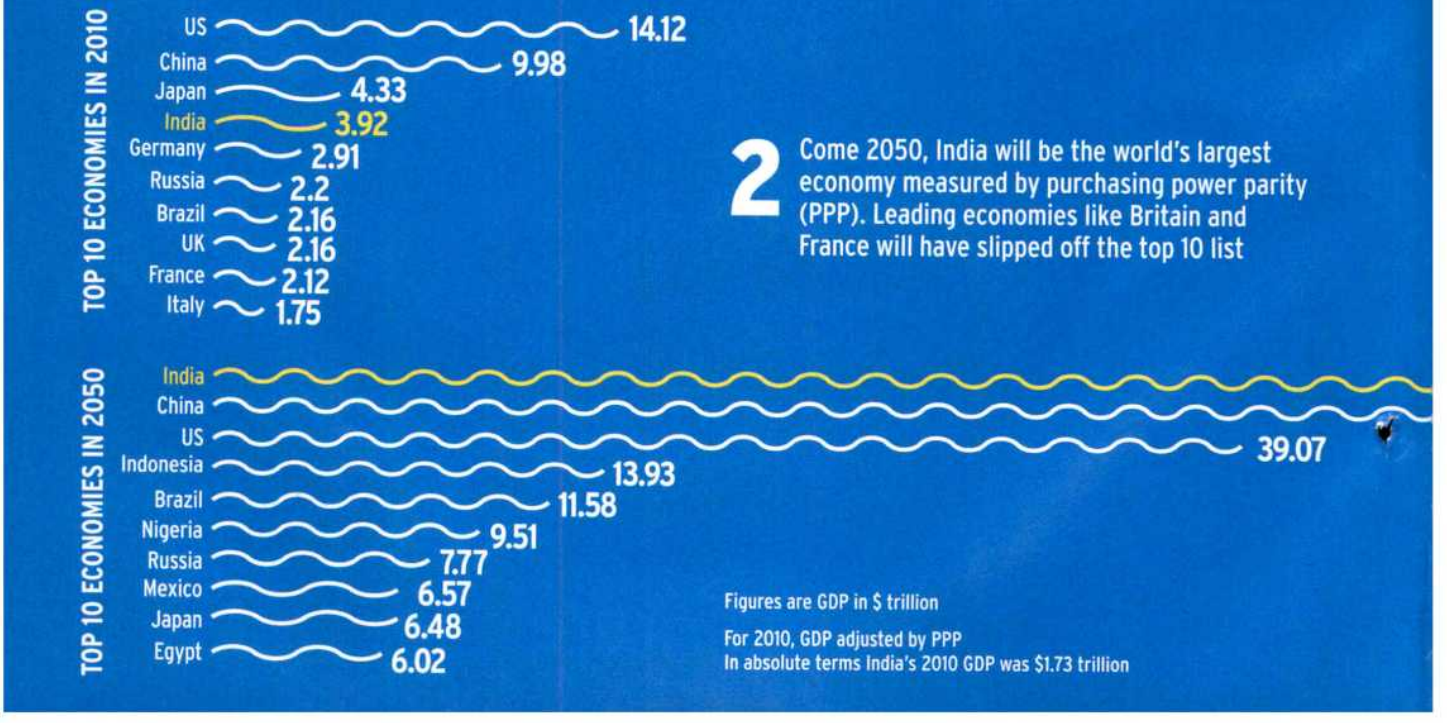
WITH LAKSHMI'S BLESSINGS

India's economic future is not as bleak as the doomsday prophets predict. Growth may have slipped and the rupee slid, but ***The Wealth Report 2012***, an annual survey by global property consultancy **Knight Frank** and **Citi Private Bank,** suggests this is a temporary glitch. In the long run, India remains unstoppable

Graphic by **Santosh Kushwaha**

1 India will see the largest increase in the number of centa-millionaires* in coming years. The projected rise in percentage of centa-millionaires in key countries between 2011 and 2016

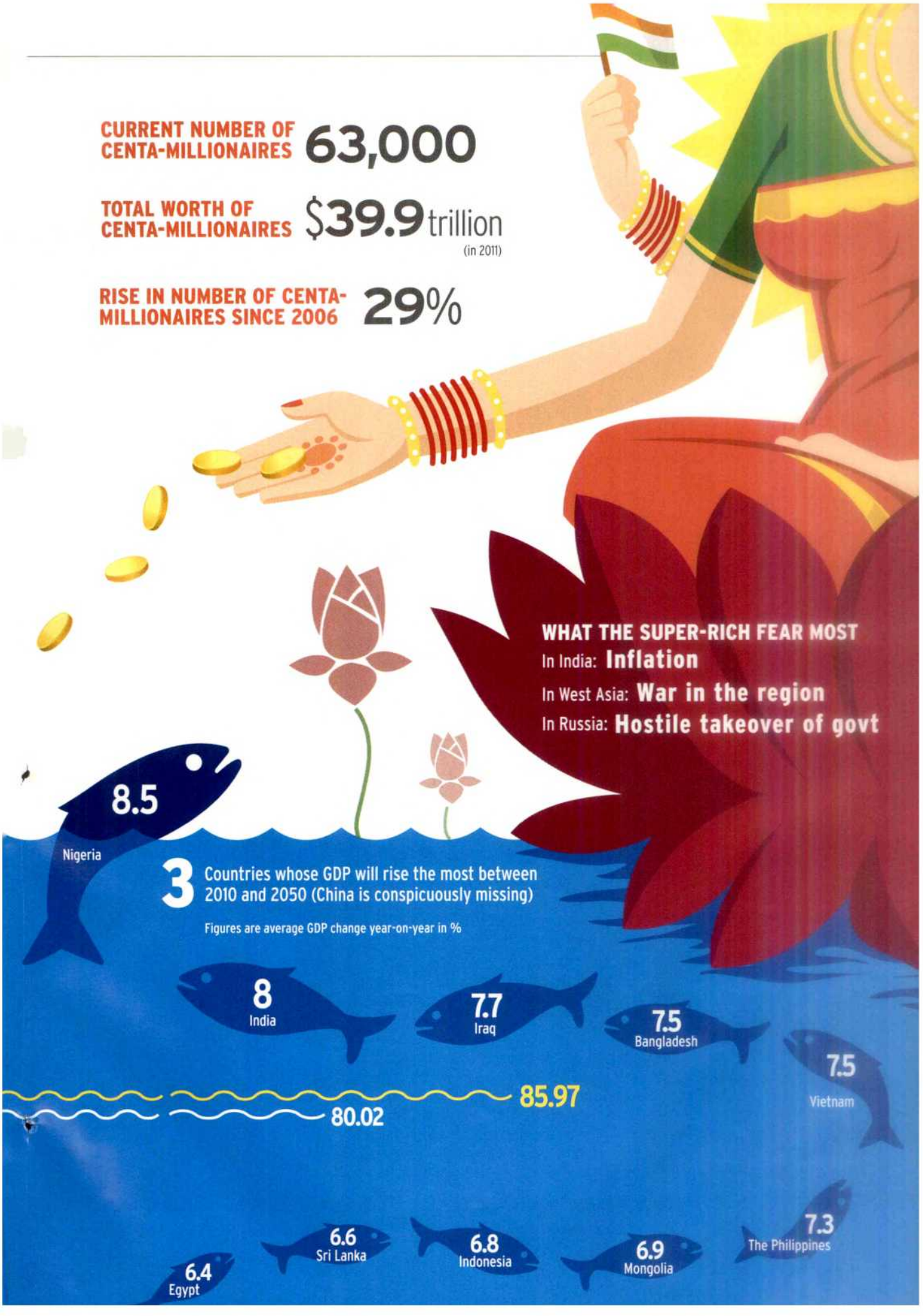
*A centa-millionaire is one with disposable assets of $100 million



2 Come 2050, India will be the world's largest economy measured by purchasing power parity (PPP). Leading economies like Britain and France will have slipped off the top 10 list

Figures are GDP in $ trillion

For 2010, GDP adjusted by PPP
In absolute terms India's 2010 GDP was $1.73 trillion


CURRENT NUMBER OF CENTA-MILLIONAIRES 63,000
TOTAL WORTH OF CENTA-MILLIONAIRES $39.9 trillion
(in 2011)
RISE IN NUMBER OF CENTA-MILLIONAIRES SINCE 2006 29%
WHAT THE SUPER-RICH FEAR MOST
In India: Inflation
In West Asia: War in the region
In Russia: Hostile takeover of govt
3 Countries whose GDP will rise the most between 2010 and 2050 (China is conspicuously missing)
Figures are average GDP change year-on-year in %
8.5
Nigeria
8
India
7.7
Iraq
7.5
Bangladesh
7.5
Vietnam
7.3
The Philippines
6.9
Mongolia
6.8
Indonesia
6.6
Sri Lanka
6.4
Egypt
85.97
80.02

"THE INDIAN MARKET IS PAYING THE PRICE OF MACRO MISMATCHES"

Minutes after the People's Bank of China cut its official rate by 25 basis points for the first time since 2008, **JONATHAN GARNER**, Chief Asian and Emerging Market Equity Strategist at Morgan Stanley, shared his views on the implications of the euro zone's uncertainties, the way ahead for emerging economies and other matters with **RAJIV BHUVA**. Edited excerpts:

BHASKAR PAUL/WWW.INDIATODAYIMAGES.COM

On euro zone turbulence: The euro zone has significant problems in its banking sector. Europe needs to move towards a banking union model over time, and ultimately a fiscal union. Emerging markets need fiscal and monetary easing for which they have enough scope.

On India's problems: Low oil prices would help India in this situation. But what really needs to happen here is more government delivery, particularly on infrastructure spending, mainly ports and transportation.

On the state of the Indian market: The Indian market is paying the price of macro mismatches. The twin deficits – fiscal and current account – are a significant risk issue. The large current account deficit with its macro imbalance poses significant currency risk. We have been underweight on India over the last one year and are still looking for a third of valuation adjustments. The relative valuation premium for the rest of the emerging markets has come down from 60 per cent to 30 per cent. We do not see any particular reason why India should trade at a higher valuation premium relative to larger emerging markets.

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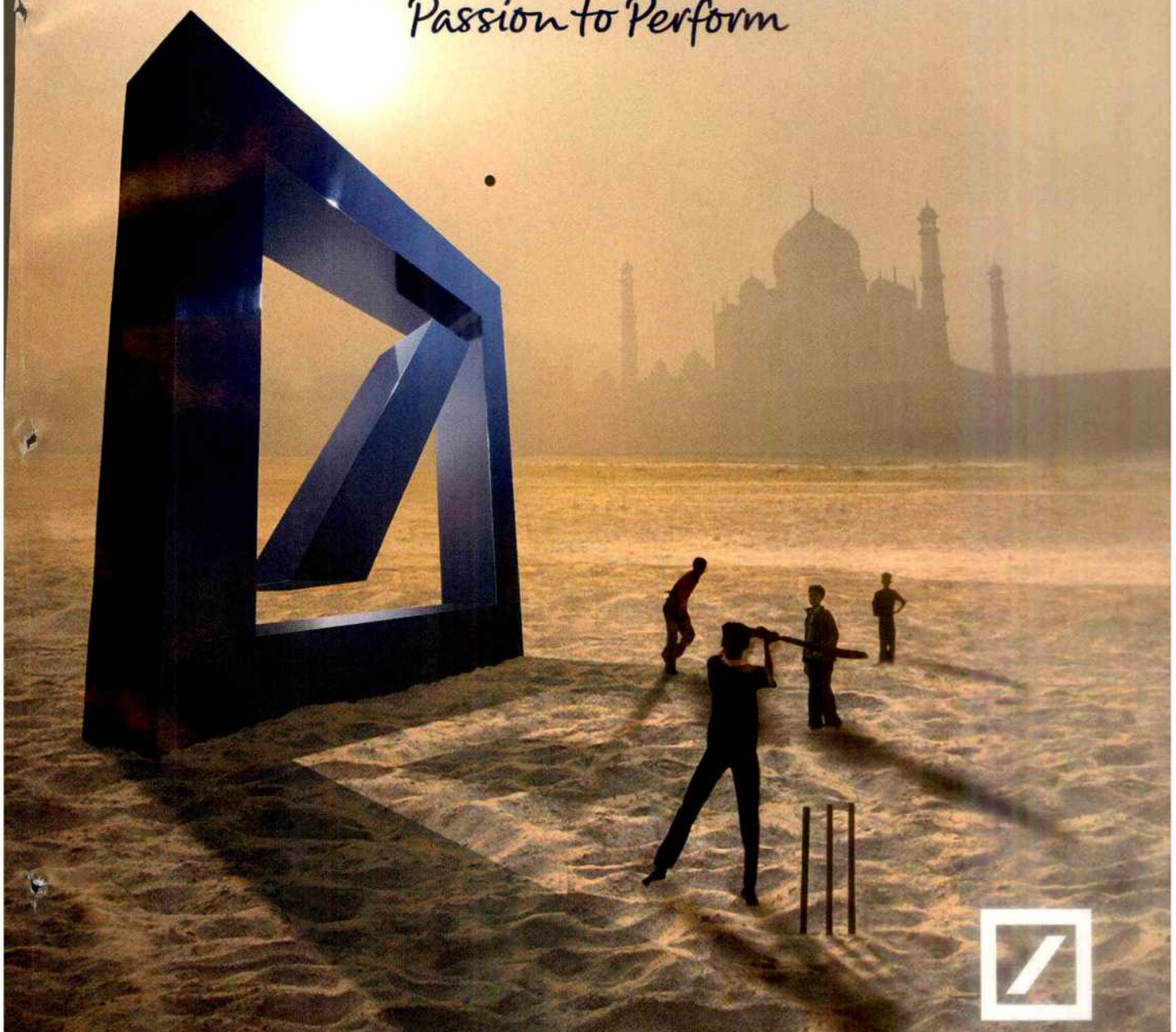

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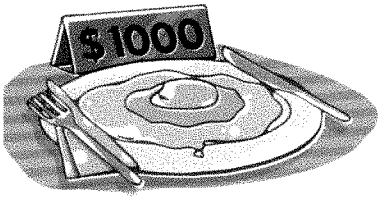
Better Than Jail

A Delhi sessions court recently sentenced a man convicted of drink driving to social work instead of jail. He has to help the police regulate traffic at busy junctions apart from helping out at a temple. But the judge took care to suspend his driving licence as well.



Hard to Digest

The world's most expensive omelette is the Lobster Frittata, on the menu of 'Norma', a restaurant at Le Parker Meridien Hotel in Manhattan, New York. Stuffed with a full lobster and topped with caviar, it costs $1,000. How many people order it? Just about a dozen every year. A vastly scaled down version is also available - for $100, but that too does not have many takers.

Roads to Nowhere

The Ministry of Road Transport has been alarmed to find that 87 national highway projects are running behind schedule – in some cases, more than seven years behind. Minister C.P. Joshi has begun an urgent review of the progress – or rather, the lack of it – in each state. The government's goal of constructing 20 km of highways a day is nowhere in sight.

HOW THINGS WORK

Relentless Droning

Drones are back in the news, with the killing of Abu Yahya al-Libbi – Al Qaeda's No.2 since the death of Osama bin Laden in May last year – in a drone attack in Pakistan's North Waziristan region on June 6. How drones function and why are they controversial:

What it is: Drones are pilotless planes either controlled from the ground or pre-programmed to carry out missions. Also known as unmanned aerial vehicles (UAV), they are used for reconnaissance and surveillance, as well as for bombings.

When started: They were developed by the US air force in the 1960s, and first used during the Vietnam war.

Who owns them: Today many countries do, including India, whose air force inducted drones, called 'Lakshya', in 2000.

Current use: They are being extensively used in the US's 'war on terror' – not only in Afghanistan and Pakistan's tribal regions, but also in places like Yemen and Somalia. Around 2,000 to 3,000 people have been killed in these attacks since 2004.

Why controversial: Their targeting often lacks precision and results in innocents being killed. Pakistan also objects to the US's current strikes because they are carried out within Pakistan's territory without its consent.

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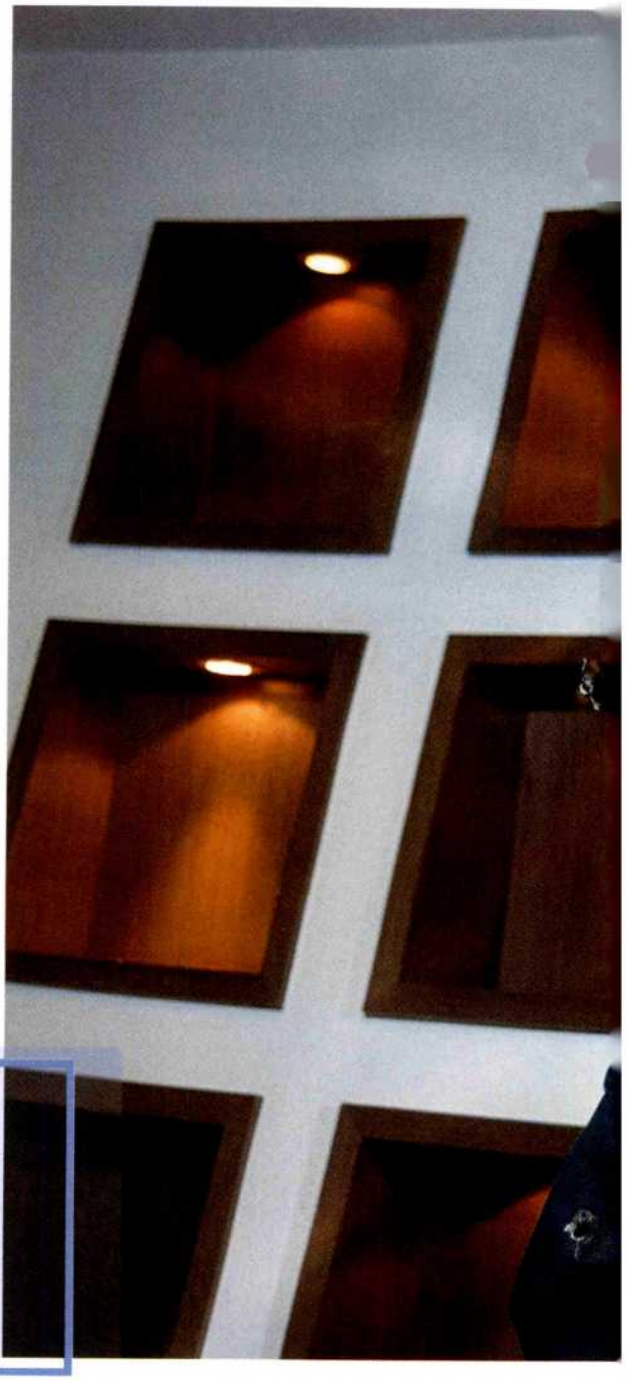
How to Do a Management

V. Vaidyanathan takes wing with a $17 million stake in a star NBFC. By CHAITANYA KALBAG

The next time you are flying somewhere, do not bury your nose in a book or plug in your earphones. Take a good look around. And if you happen to be sitting next to Vembu Vaidyanathan, a wiry, fast-talking man with a thick moustache, do not forget to ask for some tips on how to strike up a life-changing conversation. Vaidyanathan, or Vaidy to his friends, has had two of those conversations in airplanes in the past two years. In April 2010, he met Kishore Biyani on a flight to Hyderabad. The retail tycoon made Vaidyanathan a dream offer – a 10 per cent stake to come in and run Future Capital Holdings (FCH), his troubled non-banking finance company (NBFC).

It took Biyani three months to persuade Vaidy to step away from ICICI Prudential, where he had spent barely a year as managing director and CEO in the C-suite shakeout that took place after K.V. Kamath handed over leadership at ICICI Bank to Chanda Kochhar. At 42, Vaidy already had a decade at Citibank and a decade at ICICI under his belt and was considered a star among India's bankers; he had won particular praise for building ICICI's retail, rural and SME businesses and he was the youngest member on ICICI's board. Vaidy said he would have never joined Biyani for a salary. "I was already in a top job at ICICI," he told *Business Today* during a series of conversations.

He was stepping into a bomb crater. Biyani had launched FCH in 2007 with Sameer Sain, an old friend and Goldman Sachs banker. But then the global financial crisis struck in 2008, the markets were in turmoil, and Biyani's plans to combine FCH with his retail empire, offering credit at high interest rates, just would not work. Sain wanted to build FCH's investment banking and private-equity capabilities. The two men had an acrimonious parting. "We went through two



"The concept of a professional taking a stake in a company at its early stage and building it from there is a fantastic route for an upcoming professional"

V. Vaidyanathan, MD, Future Capital Holdings

Buyout at 30,000 Feet

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

crises," Biyani said enigmatically. "A lot of plans got changed. We wanted to work on the credit business at that time, but some of us did not want to take that risk."

After he took over, Vaidyanathan went about assembling a top-notch management team. Apul Nayyar, who runs FCH's retail financial services, had India Infoline, DSP Merrill Lynch and Citigroup in his pedigree. Shailesh Shirali, who heads FCH's wholesale business, came from DSP Merrill Lynch and before that Rabo India Finance and ICICI.

On August 10, 2010, when Vaidyanathan took over as Vice Chairman and Managing Director, the Future Capital Holdings stock was trading at ₹291.20. On its first day of trading, February 1, 2008, FCH closed at ₹908.20. Its IPO price was ₹765. The following Monday it closed at ₹1,030.05 and its market capitalisation stood at ₹6,513 crore. It seemed unstoppable, but it never made that level again. FCH's market cap had plunged to ₹1,871 crore when Vaidyanathan took charge.

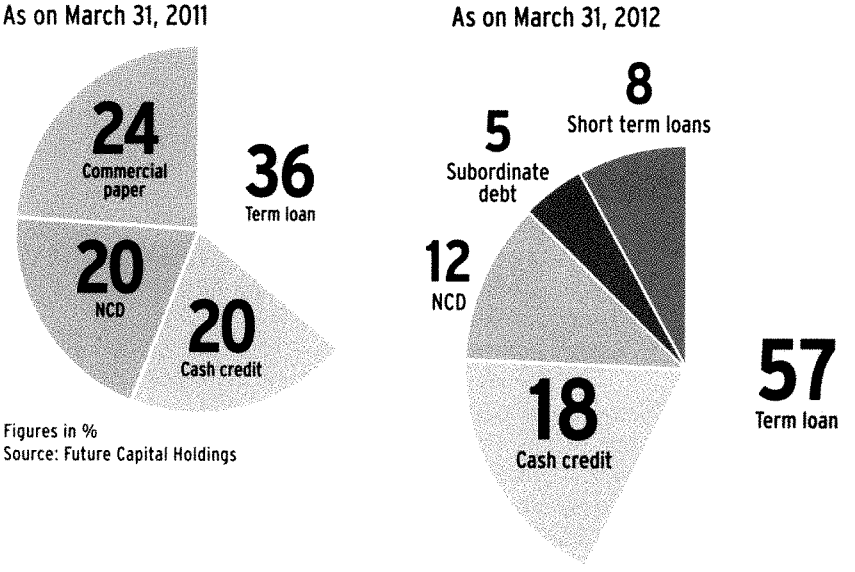
Ten months later, FCH was on an even keel. Its loan book was starting to move from an over-dependence on the wholesale business. Retail loans rose from 19 per cent in 2009/10 to 42 per cent in 2011/12. Mortgage loans account now for close to 80 per cent of its retail portfolio. But Biyani, whose Future Group was groaning under total debt of about ₹8,000 crore, had decided to shed his non-core businesses – and Future Capital was a rich lode waiting to be mined. Vaidyanathan began to look around for a buyer.

Which brings us to March 7 this year, when Vaidyanathan was on an evening flight from Delhi to Mumbai. "It had been a tiring day and I was slumped in my seat," he said. "I found myself next to somebody and we got chatting." His fellow passenger was Narendra Ostawal, a principal with Warburg Pincus. "After we landed we got in touch with each other and things started moving."

On June 4, Biyani's Pantaloon Retail India Ltd announced that Warburg Pincus, the respected US private-equity firm, would acquire a controlling stake in Future Capital, whose market value at that point was ₹1,050 crore. Warburg is taking 40 per cent at ₹162 a share, or a total of ₹420 crore, and will make an open offer for a further 26 per cent at ₹273 crore. Any shortfall will be sold to Warburg by Pantaloon Retail. In the third stage, the company will issue ₹100 crore of fresh capital to Warburg in the form of Compulsorily Convertible Debenture shares. Future Capital's market capitalisation had dropped to ₹991.42 crore on June 14, when its shares closed at ₹153.

THEN AND NOW

Change in Future Group Holdings' sources of funding over the past year



Figures in %
Source: Future Capital Holdings

Warburg Pincus announced that Vaidyanathan would stay on as head of the company. Company officials said Vaidyanathan would become the chairman; he is currently Vice Chairman and Managing Director. His personal stake stood at nine per cent after dilutions – worth about ₹95 crore. It was a dream come true. "I wake up at four in the morning and think about how wonderful things worked out," Vaidyanathan said. His research on the Internet showed he had just figured in India's largest management buyout of a listed finance company.

"The concept of a professional taking a stake in a company at its early stage and building it from there is a fantastic route for an upcoming professional. Things are still unfolding and a few years from now will tell the full story." Vaidyanathan said.

Kishore Biyani said in the beginning Future Capital planned to do a lot of its business through his retail outlets. "There were a lot of ideas actually," Biyani said. "There were a lot of South American retailers especially in Brazil and Mexico who virtually run banks. Credit can fuel consumption. It was a lot of things in the making, a lot of opportunities came up, a lot of other things happened." Biyani says he is pleased with the Warburg deal. "I think it is in good hands. Vaidy is a great person. He is very involved."

Future Capital's sale was another instalment in Biyani's headlong rush to slash his group debt. Just over five weeks earlier, Biyani had sold a controlling stake in his flagship Pantaloons stores to Aditya Birla Nuvo Ltd.

Warburg Pincus, who are currently invested in 17 Indian companies including Diligent Power, Gangavaram Port, Havells, Kotak Mahindra, Moser Baer and Punj Lloyd Group, pride themselves on being long-view partners. FCH today is a far cry from 2010 when Vaidyanathan took over. Its loan book rose to ₹46,704 crore at March 31 this year from ₹28,548 crore a year earlier. Operating profit rose to ₹1,741 crore in 2011/12 from ₹964 crore a year earlier. Return on equity rose to 13.41 per cent from 6.66 per cent.

"Given the expertise in the (finance) sector that Warburg had, we were in a position to move very quickly. We already understood the space, understood what Vaidy was trying to build, and so we moved forward with a great degree of conviction," said Vishal Mahadevia, Managing Director at Warburg Pincus India Pvt Ltd.

Despite the current difficulties in India's economy, Mahadevia said Warburg looked at broader opportunities. "Credit growth will continue to be there for a long period of time. Secondly the market for financial services is still highly under-penetrated in India, particularly for retail and SME financing."

All this, plus a strong regulator, plays into why Warburg invested in Future Capital. "It's all about the team, the system, the infrastructure, the platform that has been built. Vaidy has really spent the past two years or so building that platform. In our mind he is really somebody who has tremendous experience in this retail and MSME lending space, from his days at Citi to ICICI to Future Capital. So we are really backing Vaidy and his team. Now it's really up to him to take this forward." Warburg is a "patient investor" with a strategic position on the board, but day-to-day management is left to the current team. ◆

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Gupta's Fall Street

Rajat Gupta's speedy conviction makes him the tallest figure to be nailed in the fight to smash insider trading in the US. By BETWA SHARMA in New York

Richard Lepkowski, the jury foreman at the Manhattan, New York court hearing the Rajat Gupta trial handed the US government its biggest success in its fight against insider trading when he read out the jury's decision before noon of Friday, June 15: Gupta, the former McKinsey & Co. Managing Partner, was guilty of securities fraud and conspiracy.

Gupta, 63, is the highest-ranking executive the US government has successfully prosecuted in its four-year fight to clean up Wall Street.

The former McKinsey global head was charged with passing confidential information about Goldman Sachs Group Inc. and Procter & Gamble (P&G) Inc. while serving as a director at these companies. The recipient of the information was Raj Rajaratnam, co-founder of the now defunct billion-dollar Galleon Hedge Fund LLP. Convicted of insider trading last year, Rajaratnam is serving an 11-year-prison sentence – the longest ever for this crime.

Gupta, who will be sentenced on October 18, showed no emotion when the verdict was read. But behind him, his wife and four daughters, who have attended the trial every day since it began on May 21, were in tears. His eldest daughter, Geetanjali, had taken the stand as a defence witness earlier in the trial.

Manhattan US Attorney Preet Bharara, who has led the US government's efforts to nail insider trading, pulled no punches after the verdict was read. "Having fallen from respected insider to convicted inside trader, Mr Gupta has now exchanged the lofty board room for the prospect of a lowly jail cell," he said in a statement.

GETTY IMAGES

End of the road? Gupta and his lawyer Gary Naftalis

Gupta did not comment but his lawyer, Gary Naftalis, was quoted by a wire agency as saying, "We continue to feel that Mr Gupta is innocent of all charges. We will be making a motion to set aside the verdict and appeal if necessary."

Such a motion, said experts, can be expected to be denied by the judge. Gupta's lawyers can then appeal the case based on alleged errors in trial. Ravi Batra, a prominent Indian-American attorney on the board of New York State's Public Ethics Commission, points out that this route can be "arduous" since the jury seems to have been thorough. For instance, the jury members came to a verdict in less than two days and acquitted Gupta on two counts, which they thought had not been proven. "The appeal is an uphill battle that will probably go nowhere," he said.

Gupta, an alumnus of the Indian Institute of Technology Delhi and Harvard Business School, was found guilty of three counts of security fraud out of five and one count of conspiracy on the second day of jury deliberations. Securities fraud charges carry a sentence of a maximum of 20 years and conspiracy carries a five-year sentence.

The Indian-born corporate honcho also has the op-

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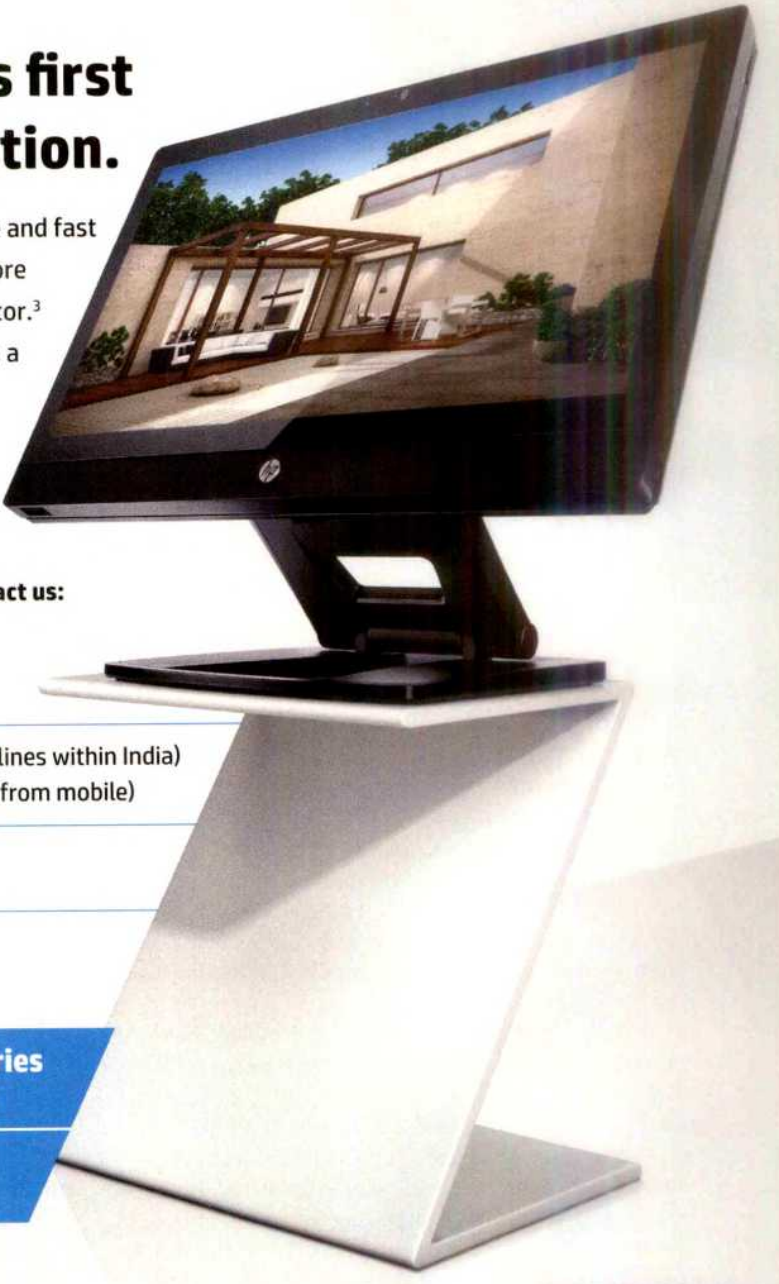

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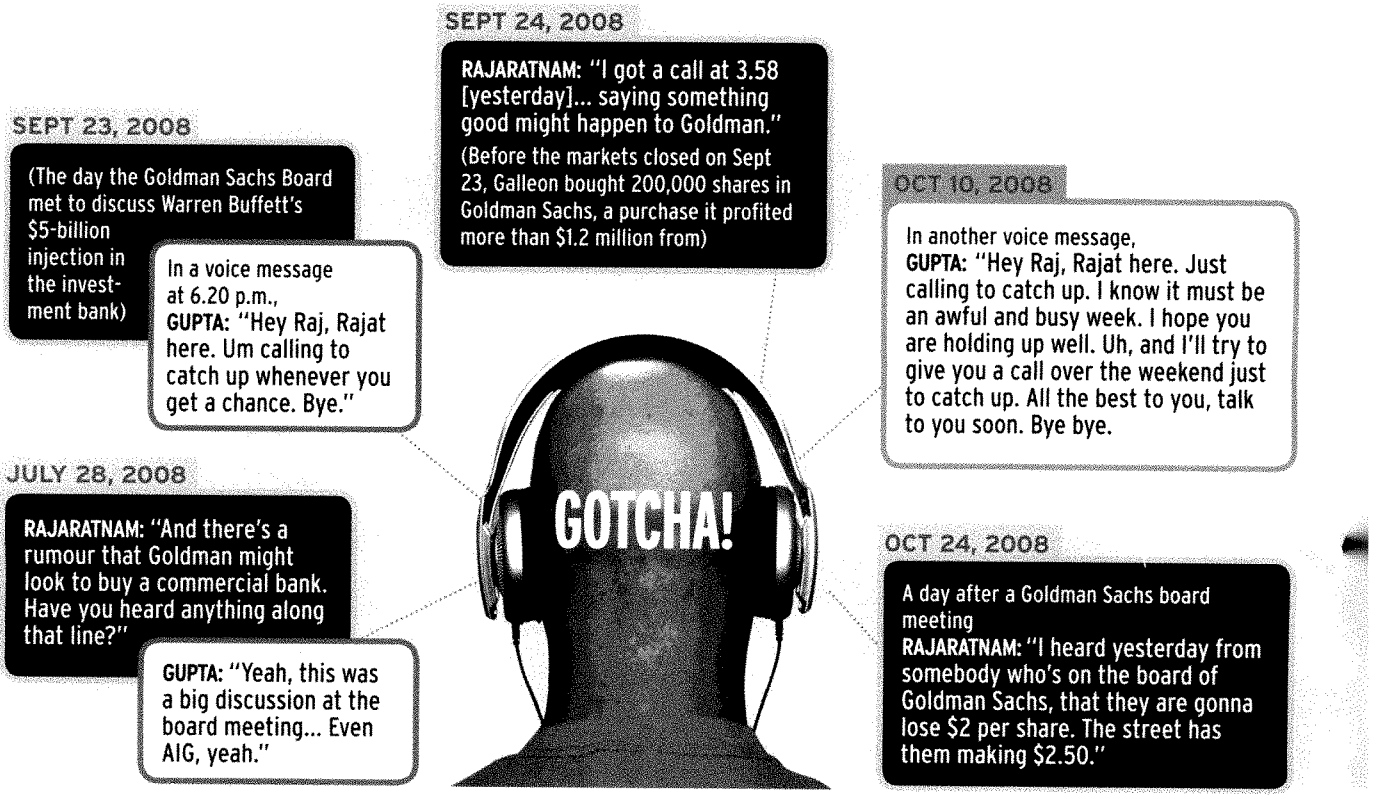

tion to try and get his sentence reduced. This would involve his friends and colleagues testifying to his good character. "The judges will then settle the books of the bad act and his life-long good ones," said Batra.

In its arguments, the prosecution was single-aimed in establishing a pattern in the relationship between Gupta and Rajaratnam. An important development at Goldman Sachs or P&G, like quarterly earnings announcements, would be followed by a series of calls between the two, which in turn would be followed by Galleon buying or selling shares.

The most contested instance was the alleged leak of the Warren Buffett-Sachs deal struck after the collapse of Lehman Brothers Holding Inc. in 2008. The prosecution produced phone records that showed at 3.13 p.m. on September 23 that year, Gupta called into a Goldman Sachs boardroom meeting, which discussed Buffett's Berkshire Hathaway Inc. investing $5 billion in the investment bank. Another phone record shows that Gupta called Rajaratnam at 3.54 and 3.55 p.m. The Goldman Sachs shares, which Galleon purchased at 3.56 p.m. and 3.57 p.m., yielded a profit of more than $1.2 million and constituted 18 per cent of the Goldman Sachs shares purchased that day.

The jury found Gupta guilty on two charges related to this purchase, as also on a charge around the sale of 150,000 shares of Goldman Sachs on October 24 the same year.

Efforts by Gupta's counsel, led by Naftalis, to brand the prosecution's evidence as circumstantial failed. As also evidence the defence counsel presented suggesting that the two men were on bad terms in 2008 because Rajaratnam's mismanagement of their joint-fund Voyager Capital Partners cost Gupta his entire investment of $10 million. They also argued that somebody else inside Goldman Sachs was leaking secrets.

A July 28, 2008 call between the two may have proved the most damaging to Gupta as it appears to have established the cosiness and comfort level of the two men. On that call, Rajaratnam says: "And there's a rumour that Goldman might look to buy a commercial bank." He also says: "Have you heard anything along that line?" "Yeah, this was a big discussion at the board meeting," Gupta says, adding that American International Group was among the names discussed.

Immediately after the verdict, experts suggested that independent directors would be more cautious in what they say and do in future, but the effects of the verdict may not be long-lasting. "The general deterrent value of this round of insider trading prosecutions is limited because Wall Street has a short memory," said Harlan Protass, a criminal defence lawyer with Clayman & Rosenberg LLP in New York.

But for Gupta, as defence counsel Naftalis told the jury in his closing remarks "this is the only case". One that went horribly wrong for him.◆

For more on the trial, go to
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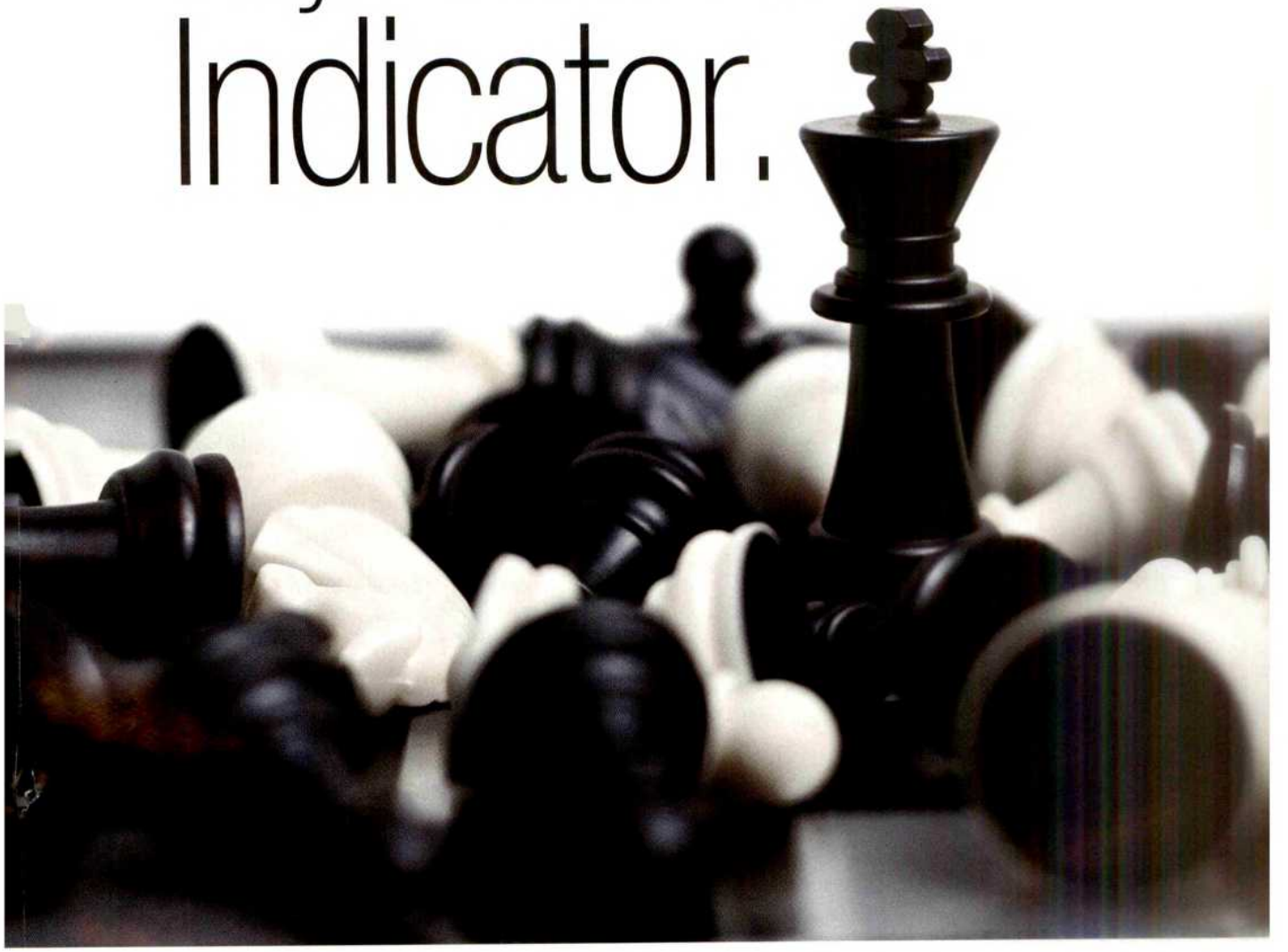

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CHAITANYA KALBAG

A Lone Prime Minister in a Nation of Presidents

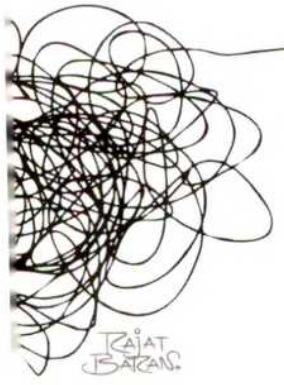
Why India needs to get its act together – quickly

Quit moaning and hear the good news, folks! India is going to be the world's largest beef exporter in 2012, beating out Australia and Brazil with 1.4 million tonnes of buffalo meat hoofing it to distant shores. You may think the domestic economy is all blood and gore, but it is not.

Last weekend it took a shopper half an hour to get through bumper-to-bumper traffic to one of Delhi's shopping malls and another half-hour to get through the doors. High petrol prices? Low disposable income? Cautious consumers? Here?

A few days ago Manpower Inc. released a survey of 41 countries and Indian companies had the most optimistic and robust hiring plans globally for the next (July-September) quarter – and this optimism was for the third quarter in a row.

You will have a beef with this cheeriness, of course. The rupee has crashed, exporters are crushed, Standard & Poor's is threatening to downgrade India's credit rating, and we have no idea what cataclysmic events are about to unfold over the next few days. Greece may exit the Eurozone, the Reserve Bank of India may or may not cut interest rates, and Pranab Mukherjee may or may not become our next President. But we always pull ourselves up by our bootstraps, don't we?



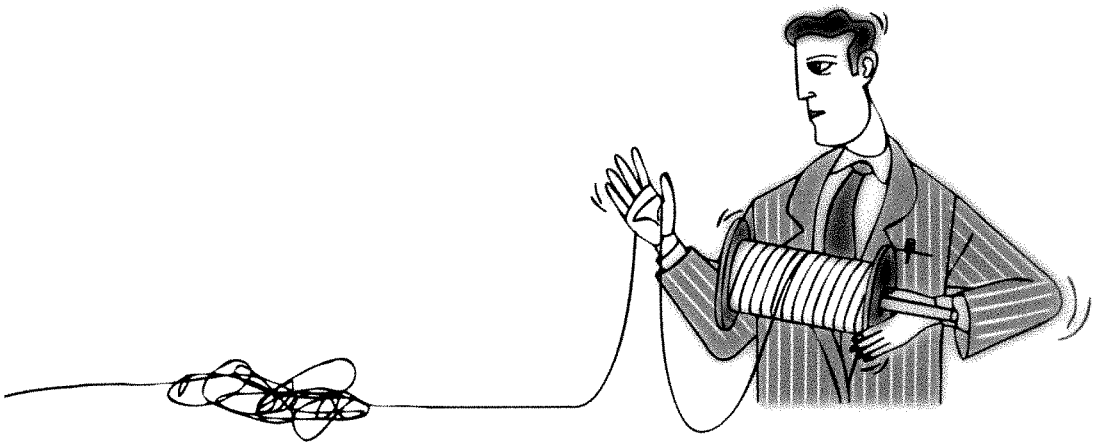
The arithmetic is brutal and simple. The effects of any major stimulation by the government now will take close to a year to kick in. By then, our already fevered politics will have become frenzied as all parties stare at a chaotic 2014 election. The prime minister summoned economic ministers for an emergency pow-wow on June 6 after the lowest economic growth numbers in nine years, and announced a $36-billion, ₹2 trillion infrastructure 'target' for 2012/13, but he was not exactly euphoric, pleading with his colleagues to "expeditiously resolve any inter-ministerial difference or turf battles" that might erupt. In other words, please desist from ritual disembowelment.

Manmohan Singh ought to know a thing or two about politics. Back in 1991, his first reforms had an electrifying effect because he had political backing; then prime minister P.V. Narasimha Rao kept the inter-ministerial hecklers and turf battlers at bay. Today's prime minister is powerless, and his party chief, try as she might, is hard put to keep the naysayers in their corner. Sonia Gandhi is wedded to the lofty notion of distributing largesse to the *aam admi*. That sort of stimulation worked for a while, but there is no longer any largesse left to distribute. It's not clear that the Congress party wants to expend political capital to resuscitate the economy, or that Mukherjee wants to call in his chips among the opposition parties.

Meanwhile, Manmohan Singh continues to be the "only prime minister in a nation of presidents". He has to contend with a roll-call of state supremos – Mulayam Singh Yadav (by proxy), Nitish Kumar, Mamata, Jayalalithaa, Naveen Patnaik, Narendra Modi – and imminently, Jagan Mohan Reddy.

What can be done quickly to turn around the deep pessimism hanging over us, move the needle on the fiscal situation, and give global investors the feeling that India is still a good place to do business?

The answers are loud and clear – clear the way for foreign direct investment in multi-brand retail, roll out the Goods and Services Tax nationwide, slash the subsidy bill by raising



diesel prices – and throw in insurance-sector reforms for good measure.

And focus like a laser beam on getting some big-ticket infrastructure projects off the ground. Take the car industry for instance. Some years ago, Chennai seemed the ideal hub for car manufacture – it had a good engineering tradition and long expertise in motor vehicles, plus a good port that faced east, making it easier to source from elsewhere in Asia. Instead, the pendulum has swung towards Gujarat on the west coast because the government there offers better infrastructure. And electricity. And land.

At a macro level, things look much worse. India's fiscal deficit, which the World Bank calculates is a stiff eight per cent of GDP if you combine the profligacy of both the central and the state governments, is made worse by the flaccid rupee as foreign investors throw in the towel.

INSIDERS SAY A "20-POINT PROGRAMME" OF STRONG ECONOMIC "ADMINISTRATIVE STEPS" IS READY TO BE UNLEASHED ON A REFORM-STARVED NATION

How much is going wrong? The World Bank summed it up in its usual no-nonsense way in a report last week: "Delays in passing legislation on land acquisition; cancellation of mobile telecom licenses following concerns about allocation; bans on mining activity by the courts in Karnataka state (partially lifted in April) and on cotton exports by the government (lifted in early May); policy reversal on foreign direct investment in the retail sector; and uncertainty about budget plans to expand taxation of cross-border acquisitions involving local assets have contributed towards creating a relatively uncertain policy environment for investors. Together with the effect of loose fiscal policies on credit availability for the private sector, electricity shortages, and the weaker external environment, policy uncertainty appears to have contributed to a slowdown in investment growth in recent quarters..."

Government insiders say all is not lost. A "20-point programme" (remember the last time those words rang out?) of strong economic "administrative steps" that will seek to circumvent legislative gridlock is ready to be unleashed on a reform-starved nation once obstreperous allies like Mamata Banerjee are sorted out and the next president is in clear sight. By then, a shaken government and Congress party will have drawn breath after the Uttar Pradesh assembly elections delivered a knockout punch.

But a senior central banker says short term pressures are very acute, tied in very closely with the fiscal situation and the very low credibility of the government. Raising diesel prices will have an immediate impact on both fiscal and current-account deficits. Moving ahead on retail FDI and GST will also help.

The atmosphere has become so fraught that on June 4 when RBI Deputy Governor Subir Gokarn said he saw "more room" for a rate cut because of lower-than-expected GDP figures and a larger-than-expected oil price reduction, the media and the markets were fervid. The latter part of Gokarn's remarks – that we still need to be careful about core inflation, rupee depreciation, and the fiscal deficit – went unnoticed.

In the absence of firm government action, the RBI is now seen as the only game in town. "But there is a clear view in the Reserve Bank that this will be like pissing into the wind," the senior central banker said. ◆

PHOTOGRAPHS BY SHEKHAR GHOSH

Which Is It?

What you see in the economy depends on how you look at it.

By TEAM BT

Walk into the cool environs of Rural Development Minister Jairam Ramesh's office and you will be treated to soothing Carnatic music wafting from a fist-size speaker attached to his laptop. In the austere office, decorated with cane furniture, with stacks of books arranged neatly on a glass-top desk, the minister sits hunched, with his palms covering his face. "It's been a long morning," he says.

It has, in fact, been a long summer of discontent for the Congress-led United Progressive Alliance (UPA) at the Centre, which witnessed unprecedented confusion over the last two years, hurting the economy.

Ramesh is in charge of one of the high-spending ministries, which administers flagship schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). In New Delhi's political circles, he is rumoured to be on the long list of politicians in the running to become finance minister in the event the incumbent, Pranab Mukherjee, moves to Rashtrapti Bhavan, whose lawns he so covets.

Ramesh would like to see a re-jigging of expenditure, reducing the gargantuan subsidy bill of ₹2,16,297 crore – 2.44 per cent of the gross domestic product (GDP) – and allocating resources towards roads, ports, railways, power and rural development.

The subsidy on diesel makes the minister fume the most. Between December 2011 and May this year, the price of the Indian basket of crude has fluctuated between $95.56 and $123.61 a barrel. Still, diesel prices in that period stayed unchanged as the UPA failed to free the prices of this fuel – from narrow political interests.

The political failure of the UPA leadership has also played a part in the economy losing steam to log a growth rate of 6.5 per cent in 2011/12, the slowest in nine years. Every other macroeconomic indicator of importance has also tumbled. In 2011/12, industrial output collapsed to 2.8 per cent from the previous year's 8.2 per cent. Headline inflation has remained sticky in the seven to eight per cent range over the last four months. The expanding fiscal deficit has been partly responsible for inflation remaining elevated. In 2011/12, the fiscal deficit was 5.76 per cent of GDP, almost 1.16 percentage points more than the government's original target of 4.6 per cent. The rupee has depreciated sharply – 25.3 per cent between May 31, 2011 and the corresponding period in 2012 – against the dollar. The combined impact of all these factors showed up in the current account deficit, which was a record 3.9 per cent of GDP in 2011/12.

"Expenditure re-jigging is a political exercise, that's why successive governments have not been able to do it," says Ramesh, explaining why expenditure on subsidies cannot be easily transferred to growth-inducing spending on infrastructure.

This inability to drive a political consensus has held back major reforms, particularly the introduction of the Goods and Services Tax (GST), which aims to create a common market in India. Its introduction requires the Centre and states to reach a historic agreement on taxation rights.

Bihar's Finance Minister, Sushil Kumar Modi, who heads the states' grouping on GST negotiations, says the UPA has been inflexible in tackling the concerns states have with the GST bill. "There is a trust deficit regarding compensation. The central government has promised that states will be compensated for the reduction of central sales tax from four to two per cent and their ultimate phase-out. But it has not yet fully compensated

TRYING TIMES

India's heady years of nine per cent GDP growth are over. Global financial firms' estimates for 2012/13

GDP growth figures in % Source: BT Research

"Expenditure re-jigging is a political exercise, that's

Jairam Ramesh, Rural Development Minister

the states for 2010/11. The states want a categorical assurance."

The flux over GST is only indicative of a deeper problem of lack of credible leadership. "[The government's] basic problem is diarchy," says Subramanian Swamy, National President, Janata Party, referring to the popular perception that the working of the government is influenced as much by 10, Janpath, as 7, Race Course Road, the respective homes of Congress President Sonia Gandhi and Prime Minister Manmohan Singh in New Delhi.

No longer is it just Indian politicians and analysts identifying diarchy as the root cause of India's rapidly unravelling growth story. In a report on June 8, global credit rating agency Standard & Poor's said the Congress party's inability to convince the Bharatiya Janata Party and other opposition parties to support its reforms had been downplayed. "Moreover, paramount political power rests with the leader of the Congress party, Sonia Gandhi, who holds no Cabinet position, while the government is led by an unelected prime minister, Manmohan Singh, who lacks a political base of his own; the previous BJP-led coalition govern-

Farm Ills

Sitting on the verandah of his new house, built on a part of his two acres or so of land, Oodhal Prasad Khushwaha says: "The spelling is O-o-d-h-a-l." The 55-year-old has studied till the eighth standard and could surprise a visitor with his use of English. Along with his three sons, he grows wheat and cereals, bakes bricks, and also does manual labour to eke out a living. Life has been tough for him, but a good harvest this year has made things better. "We grew 18 quintals of wheat," says the resident of the Madola block in Uttar Pradesh's Lalitpur district, in the Bundelkhand region, among the country's poorest.

Though the good monsoon played its role, water from the Rajghat canal in Datia and the Jamni canal in Lalitpur played a part. "The canal has changed our lives," says Atmaram Dange, 54. The feeder canal to his Kamad village has been brimming over for five years.

Jhansi and Tikamgarh, in the same region, tell a different tale. The poverty and lack of development on this stretch of National Highway 39 has to be seen to be believed. "State governments over the years have failed Bundelkhand," says N.C. Saxena, National Advisory Council member. Saxena headed a rural development ministry panel that said at least 50 per cent of the country's populace was poor.

Bare Existence: Oodhal Prasad Khushwaha (right) a farmer from Madola block in Lalitpur district, UP

why successive governments have not been able to do it"

ment managed to gain the consent of enough opposition parties to implement economic reforms during 1998-2004."

A world away from S&P's headquarters in Water Street, New York City, Mahadev Bhimrao Shinde, an illiterate farmer in western Maharashtra's Sangli district, is unlikely to use the word *diarchy*, or the phrase *policy paralysis*, in this lifetime. But mention the word *government* and his hackles are up. "I have no expectations from them," he says, throwing his hands up in despair. The continuing drought here has pushed Shinde to contemplate the sale of his only productive assets: two cows and a goat.

Way back in 2008, the state government declared Sangli as an area facing a drought-like situation. That has made no difference to the situation on the ground. Of the ₹2,700 crore demanded by the state government for drought relief this year, the Centre has sanctioned ₹588 crore. There is no progress on the plan to bring water here from the close-by Krishna river. There is no one to advise farmers to grow crops that need less water, and no one to show them how to conserve soil.

That seems to be an understatement in many of the places *BT* visited. There are entire villages devoid of the basic needs of life, such as Khisnibujurg village in Jhansi, where drinking water is scarce and basic healthcare non-existent. Khisnibujurg may seem better off by the time you reach Lakhanjar, about 150 km away. There are electric poles with cables connected as one criss-crosses the jungle, with deer and fox making sudden appearances. But there is no electricity running through the cables. Markets are miles away and the residents depend on the forest for fuel. The agricultural land provides just enough to keep body and soul together. It is a place frozen in time.

THE FEW INSTANCES OF PROSPERITY IN BUNDELKHAND ARE PROOF THAT GOVERNMENT WELFARE SCHEMES AND PROJECTS, IF IMPLEMENTED WELL, CAN REIN IN POVERTY

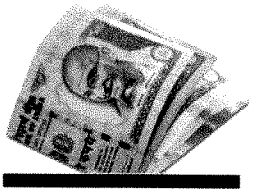
Extending the reach of the irrigation canals may change the landscape of many areas. Bundelkhand has had irrigation projects coming up since the end of the 19th century. However, a government official says the rocky and hilly terrain makes it difficult to expand the canal system.

All you see in terms of industrial activity is some stone crushing units in Paratpura and Lakshmanpura. Other than that, the area is totally dependent on farming. Without a lasting solution to the agricultural woes, all other progress on the macro-economic front may fall flat.

The few instances of prosperity in Bundelkhand are proof that government welfare schemes and projects, if implemented well, can rein in poverty. Experts, however, feel that much needs to be done, including bringing about a change in mindset. In November 2009, the Centre approved a special package of ₹7,266 crore for drought relief and integrated development of the region. This targets developing 1.1 million hectares of land through irrigation development.

To ease the load on agriculture, job generation has to come from other sectors as well. "Much employment can be created by developing the tourism potential of this area," says Arun Singh, a Jhansi-based hotelier.

For more go to
www.businesstoday.in/bundelkhand-economy



MAHARASHTRA'S FOOD GRAIN PRODUCTION FELL 23 PER CENT IN 2011/12, AND ITS AGRICULTURE SECTOR SHRANK 9.1 PER CENT. ITS GDP GROWTH HAS FALLEN TO 8.5 PER CENT FROM 11.3 PER CENT A YEAR AGO

Unsurprisingly, the state's food grain production fell 23 per cent in 2011/12, and its agricultural output shrank 9.1 per cent. GDP growth has fallen to 8.5 per cent from 11.3 per cent a year ago. And you thought Maharashtra was one of the country's richest, most developed, and most modern states.

The New Inspirations

It is not all gloom and doom out there. Dig deeper and there is enough to dispel the gloom, most of it in hitherto forgotten states, which could not be spoken of in the same breath as Maharashtra. These states are showing how good governance can often be the bedrock of good economics.

Chhattisgarh, in popular imagination, especially in the imagination of the people in the metros, is a state in the throes of numerous conflicts. Raipur, the capital, was a nondescript town when the state was created on November 1, 2000. It has since sprouted wide roads, half a dozen malls, and an IIM. On a recent Sunday afternoon in an upscale restaurant downtown, the couple at a far table could just as well be in South Delhi or South Mumbai. Dressed in blue denims and black shirts, they could not have been out of college yet. At lunch, they paid more attention to each other than to the food or to those around them. Afterwards, they left in a white Hyundai Verna with dark windows.

About 20 minutes away, in the industrial belt of Urla, it is a different world. This is where the road, its upper surface missing, is lined with small industrial units that churn out steel rods. You do not see denims; what you see is half-naked children playing with strange contraptions for toys. In front of houses that would require you to bend at the waist before entering, women wash utensils by the roadside in brackish water.

Another 20 minutes away is Siltara, big brother to Urla. The units here are large, owned by the big names in the area: Sarda Energy, Hira Group, Vandana Global, among others. Some produce more than 650 tonnes of steel a day. They also pollute more. The roads are good, so there is much less dust than in Urla, but the air is thick with smoke and fly ash. Asthma is said to be rampant.

"There is a (Centre-State) trust deficit regarding compensation. The states want a categorical assurance"

Sushil Kumar Modi, Head of the empowered committee of state finance ministers on GST

Parshuram Khot, 31, sits in a corner of his 10-acre plot of land, fiddling with his mobile as he keeps a keen eye on daily wage earners at work in his field. Khot wears shorts and a colourful *baniyan* inside a colourful shirt. But attire is not the only thing that marks him apart from the turban-dhoti wearing farmers in Pimpalwadi village, in western Maharashtra's Sangli district.

Sangli is known for its water-guzzling cash crops such as turmeric, sugarcane, grapes, and pomegranate. But Khot is the only one in his village to take to turmeric. He did it three years ago, despite his father's warnings. Today, Khot avoids a discussion on crops with his father. Turmeric prices have fallen from a high of ₹20,000 per quintal in 2010 to ₹4,500 per quintal.

Khot plans to hold on to his harvest for two to three years. "I don't think other farmers are as strong as me." He is sure half of the other turmeric farmers will stop growing the crop, which will push prices up. Not many can do that. Most will have to sell for whatever price they get, and get sucked into poverty. "This will have an impact on disposable income and demand in the rural economy," says Kiran Kulkarni, who runs an NGO in the area supporting self help groups.

The plight of the farmers represents the state of affairs in Maharashtra, a state that makes the highest contribution

Sangli Surprise

NISHIKANT GAMRE

Growth Hopes: Parshuram Khot is hopeful his brinjal crop will do better than his turmeric harvest

– 14.5 per cent – to the country's GDP. Uttar Pradesh and Andhra Pradesh, at 8.3 per cent each, are a distant second.

Sangli, 350 km from Mumbai, with a population of 2.8 million, epitomises many aspects of the Indian economy. Unlike China, India is a consumption-driven economy. In Sangli, the consumption is driven by farm income as 55 per cent of its population lives in the rural areas. The urban population lives mainly on trading and salaries.

In the post-2008 period, the rural economy remained unaffected because of better prices for agricultural commodities. Small town folk were also buffered from the squeeze on city dwellers, who were neck-deep in debt.

TURMERIC PRICES HAVE FALLEN FROM A HIGH OF ₹20,000 PER QUINTAL IN 2010 TO ₹4,500 NOW, LEAVING MANY FARMERS ON THE EDGE OF POVERTY

Today, the rural economy is no longer recession-proof. At the main Shivaji Mande market in Sangli city, the streets are not deserted, but neither are they packed. "Demand has fallen in the last 18 months. My business in terms of value is increasing, but the volumes are not much," says Vijay Ladda, who owns a Sony showroom.

Apart from the big brands – Honda to McDonald's to Raymonds – Sangli city is host to swanky showrooms of furniture and bathroom fittings. Randeep More, owner of a bath fittings showroom on the Sangli-Miraj Road, says growth is still high because of the sluggish Pune real estate market – there has been a gradual shift by builders as well as customers to the Sangli area, which is emerging as a new centre for industrial activity.

There are over two dozen sugar factories here. The district is, despite Khot's troubles, the turmeric capital of India. Of late, wine producers have been making Sangli their home because of large grape plantations here. Popat Chavan, a consultant, says the region enjoys strong winds and a few wind energy players such as Suzlon have already invested here. Some of these activities are keeping the Sangli realty market buoyant.

For more go to
www.businesstoday.in/sangli-economy

Hope Sinks

The climate in Sivakasi, in Tamil Nadu's Virudhunagar district, is hot and dry. Rains are rare. Out of this discomfort has arisen the country's most dense concentration of units making firecrackers and matchboxes. Over 4,500 small-scale match units and 400-odd fireworks manufacturers here produce 70 per cent of the country's output. They export as well.

Of late, these units have been feeling the heat from a slowing economy. "To a large extent it is sentiment that drives the demand for fireworks. If people are happy and confident they loosen their purse strings," says R. Sukumar, Managing Director, Sri Krishna Pyro Exports, before adding: "Demand from the cities has crashed 30 per cent this year."

This could not have come at a more inopportune time for Sukumar and his fellow manufacturers. Exports have dried up with the Chinese, as in so many other items, stealing a march.

Doused: Sivakasi's matchbox industry is struggling

Sukumar, whose products sell all over the country under the Krishna brand, says his raw material and labour costs have increased sharply in the last two years, and so have interest costs. "We are surviving because we have been in this business for 35 years. But players who have come recently are under severe stress and many factories are up for sale."

There is also a shift in demand from noise-making 'bombs' to aerial and colourful fireworks, and this calls for investment.

The region's small-scale sector, which operates on wafer-thin margins, has been hit by power cuts in excess of eight hours a day imposed by the Tamil Nadu government. Forced to run generators for most of the day, entrepreneurs' costs have spiralled. "I am incurring losses," says S. Raman, who runs a cement bag manufacturing unit in the area.

SIVAKASI HAS BEEN HIT BIT BY FALLING DEMAND AS WELL AS LONG POWER CUTS

IT'S NOT ALL DOOM AND GLOOM OUT THERE. STATES SUCH AS CHHATTISGARH AND BIHAR HAVE SHOWN THAT GOOD GOVERNANCE CAN OFTEN BE THE BEDROCK OF GOOD ECONOMICS

To be fair, this is the kind of conflict Jharkhand may have liked to have. Created 14 days after Chhattisgarh, it has the same dominant features: mineral riches, a large tribal population, land-locked geography, and a Naxal insurgency.

Jharkhand is way behind Chhattisgarh on most economic parameters. For instance, Chhattisgarh's per capita income in 2004/05 was a mere ₹49 more than Jharkhand's. By the end of the last financial year, Chhattisgarh had widened the gap to ₹6,733. That is a direct outcome of the divergent paths the two states' economies have followed. In 2004/05, Jharkhand's GDP was ₹11,896 crore – or 25 per cent more than Chhattisgarh's. By the end of the last financial year, Chhattisgarh was ahead by ₹4,553 crore, or 5.5 per cent. In fact, Chhattisgarh has been the state with the second fastest growing GDP for the last two years – after Bihar, and not counting the quasi state of Delhi and the Union Territory of Puducherry

Experts say this has a lot to do with the political environment in the two states. In less than a dozen years, Jharkhand's Chief Minister has changed no less than seven times, with two spells of President's rule in

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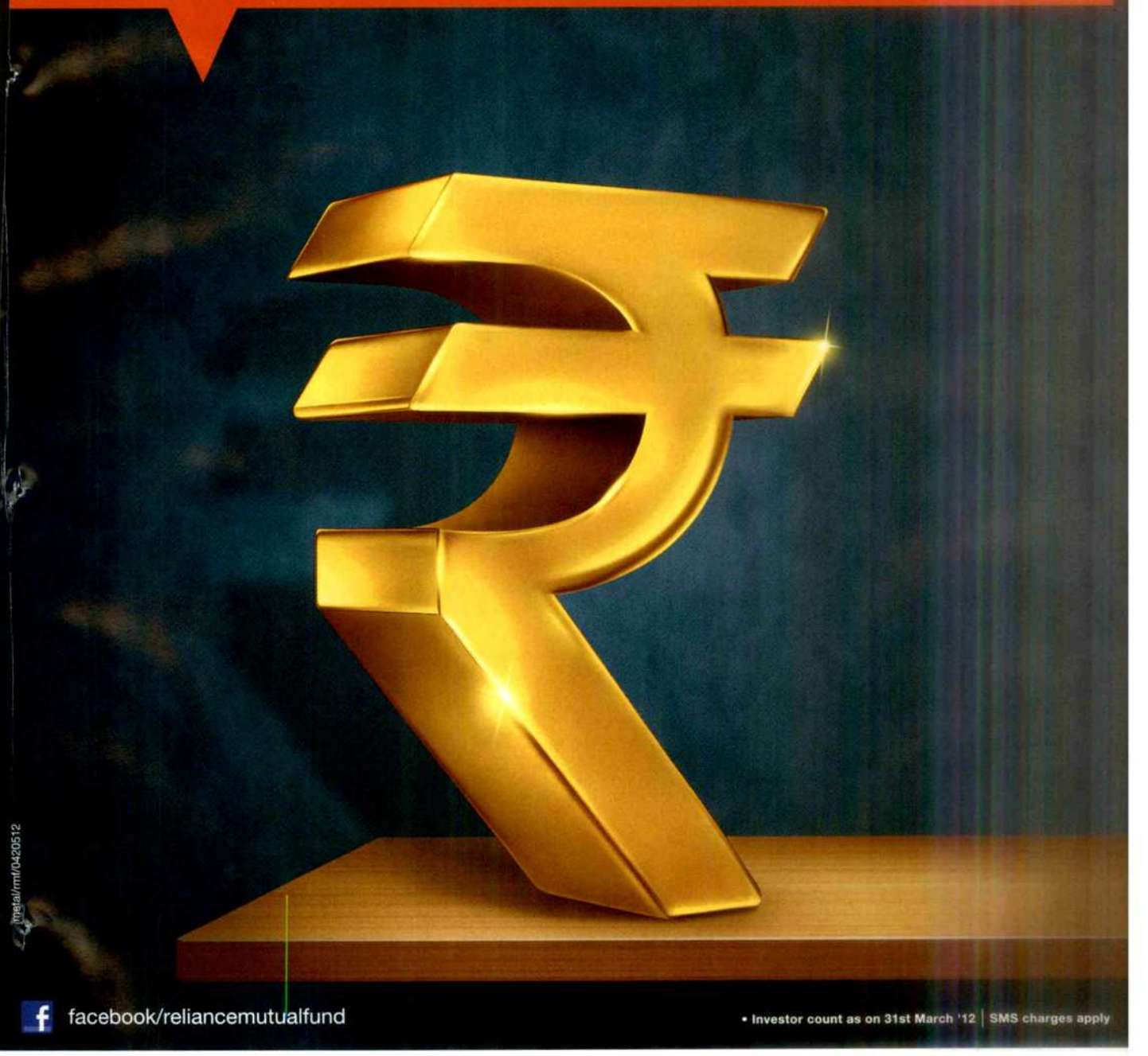

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Rising Fast: An upcoming housing project in Raipur, Chhattisgarh's capital

between. Chhattisgarh has seen just one change. Its second Chief Minister, Raman Singh, has been leading a BJP government since December 2003.

The political continuity has had a happy by-product in coherent and concerted policy. Early on, Singh decided that he would not allow mere trading of Chhattisgarh's rich mineral deposits, mainly iron ore, coal and bauxite. He says he compelled public sector mining giant National Mineral Development Corporation to set up a steel manufacturing plant at Nagarnar, 35 kilometres from Jagdalpur, in the heart of the Naxal belt. "I said how long will you keep exporting ore to China, Japan and Korea? That is a crime. Why do we abuse East India Company? Some people in that meeting would have felt bad, but if all the ore is taken away what will be left for our future?"

To set the environment right, Singh has done many other things to improve the environment. As the industrial policy rolled on, he focused on agriculture and allied businesses. The interest rate on agricultural loans was brought down from 14 per cent to one per cent. Farmers get up to 7,500 units of free power and the state spends ₹1,30,000 on installation of each tube well. The state's public distribution system, along with Gujarat's, was touted by an entity no less than the Supreme Court last year as the model every state should follow. No wonder its agriculture and allied sectors grew more than six per cent last financial year.

The conflicts, however, remain. The operator of a fleet of taxis says he cannot think of getting into the recesses of Bastar after sundown. Every other month, a *Shaheed Saptah* (martyrs' week) or a *Jan Pituri Saptah* (revolutionary week) by the Maoists brings everything to a standstill.

The instance of Bundelkhand is even more unique than the conflict in Chhattisgarh. Spread over 13 districts and straddling two states, Uttar Pradesh and Madhya Pradesh, this area, despite being host to the diamond mines of Panna, has been a pocket of abject poverty.

In Khisnibujurg village, Jhansi, for instance, the fight is for drinking water and basic healthcare. "We have not had drinking water for three days," says Gangubhai Dulat, who is in her sixties. The borewell is running dry and belches water occasionally; the well inside the village is completely desiccated. Fortunately, a public well half a kilometre away still has water. "If that well also dries up, the entire village will have to migrate," says Jagadish Prasad.

Yet, of late, a few silver linings have emerged here, as seen in Kamad village in Madhya Pradesh's Datia district. Good irrigation facilities provided by canals such as the Rajghat canal in Datia and Jamni canal in Lalitpur have coloured the fields green. "The Rajghat canal has changed our lives," says Atmaram Dange, 54. The feeder canal to his

"How long will you keep exporting ore to China, Japan and Korea? That is a crime."

Raman Singh, Chief Minister, Chhattisgarh

For a detailed report on chhattisgarh, go to
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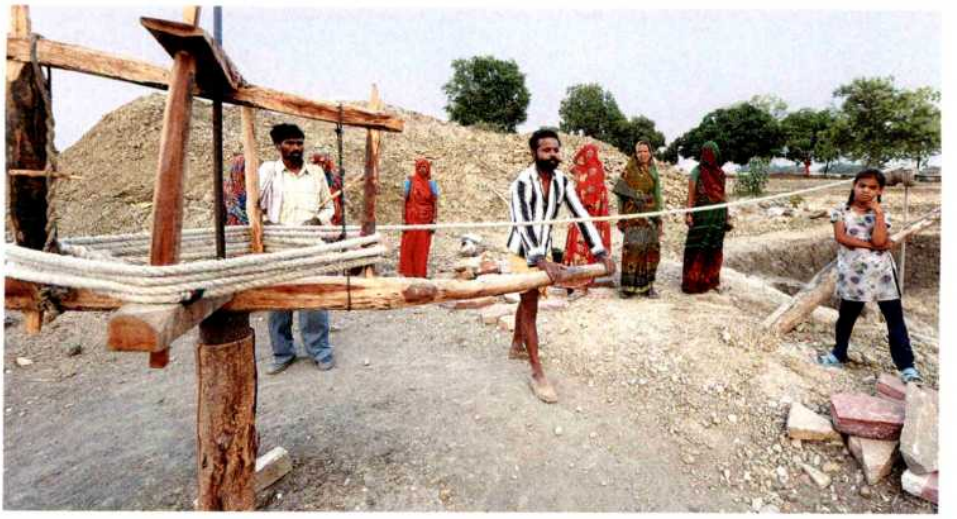

Big Gains: Nirbal Ahirwar (centre) of Shahdadpur village in Bundelkhand has benefited from MGNREGS

Kamad village has been flowing for five years. "Our wheat harvest has gone up eight times in the last eight years. This year it has increased by 20 per cent," he says.

Along with the harvest, the standard of living has also risen. Nirbal Ahirwar, 50, of Shehadpur village in Lalitpur, has a direct-to-home dish jutting out of his roof. "We hope to buy a tractor next year," says his 25-year-old son, Harinarayan.

It is not just water that has changed the lives here. There is also MGNREGS, which, strangely, the UPA is not talking about as much as it used to. But those in Bundelkhand are in love with it. "The ₹10,000 earned through the scheme can make a huge difference to poor households," says Yogesh Kumar, who runs an NGO in the area.

MGNREGS's impact is, in fact, felt far and wide. Sivakasi, a town in Tamil Nadu's Virudhunagar district, is the country's primary supplier of fireworks and matchboxes. S.M. Antony Bharati, Joint Secretary with South India Match Manufacturers Association, says no one wants to work in a matchbox unit today. "We cannot match the wages paid by MGNREGS. We often send our vans as far as 60 km to bring in workers." Bharati's company, Annarathna, has imported machines from South Korea to reduce its need for labour.

A.V. Kalyanavenkatrama Raja, who makes and sells jaggery from his picturesque 20-acre farm in Ullar village, has been waiting for more than a week to get labour to harvest his sugarcane crop. "I have finally got hold of people from another district to harvest my crop," he says.

Of course, the big picture is important. Most people are clear on what is needed to fix the fisc: FDI in retail and aviation, pension reforms, introduction of GST, among other measures. The government needs to be serious about meeting targets announced on road construction, railways, and coal production. "Apart from fiscal stimulus, the government really needs to meet its targets. That will induce confidence," says Ajit Ranade, Chief Economist with Aditya Birla Group.

Adds C. Rangarajan, who heads the Prime Minister's Economic Advisory Council: "We need to think of innovative ways to solve the problem. Certain proposals have been made in the case of the LPG subsidy, to shield lower income groups."

For Planning Commission Member Saumitra Chowdhuri, "It's a question of which direction you are headed. There is a right path and a wrong path. So far, the government hasn't decided, but at some point it will have to take a decision."

One of those paths could lead to Raipur, another to Sangli. The government needs to tread carefully. ◆

"We need to think of innovative ways to solve the (fiscal deficit) problem"

C. Rangarajan, Chairman, PMEAC

ANAND ADHIKARI IN SANGLI, N. MADHAVAN IN VIRUDHUNAGAR, SEBASTIAN P.T. IN BUNDELKHAND, SHWETA PUNJ IN NEW DELHI, SUVEEN K. SINHA IN CHHATTISGARH

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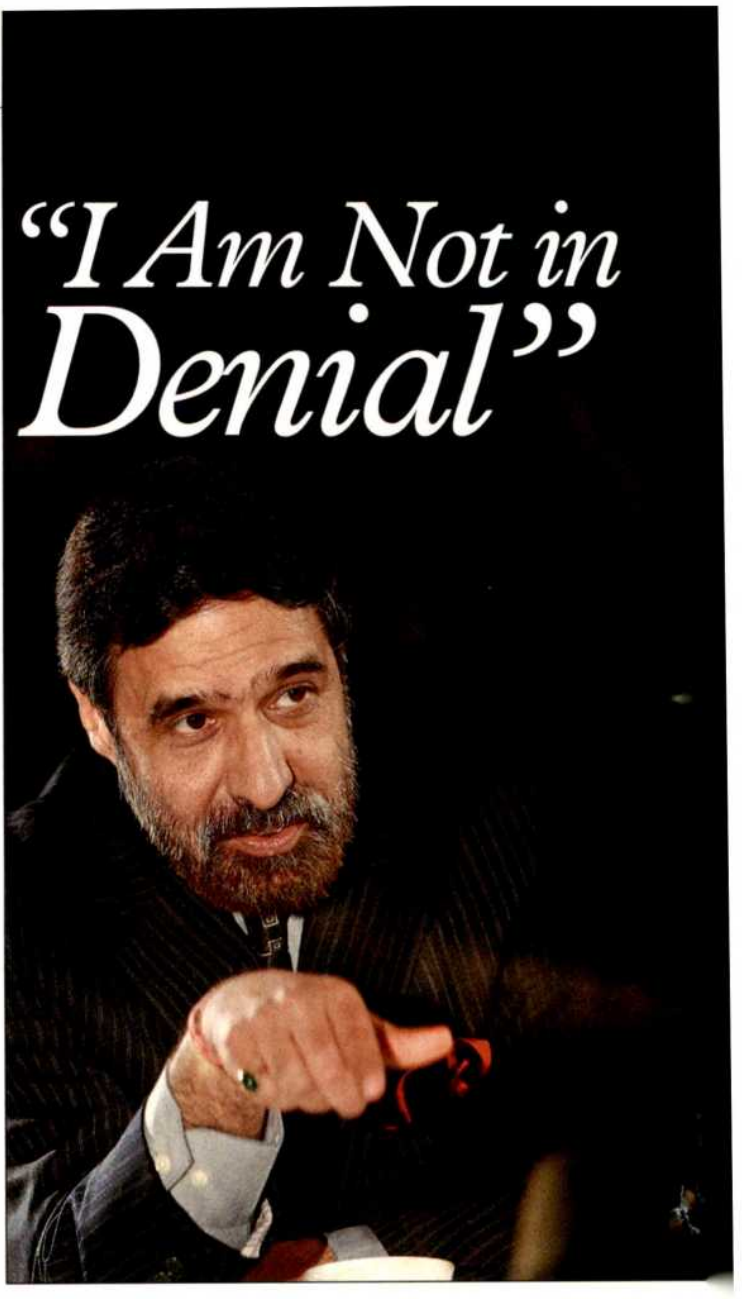

ANAND SHARMA *looks after three vital economic departments – trade, industry and textiles. The 59-year-old lawyer from Himachal Pradesh won his spurs in student politics and then the Youth Congress and has seen his star steadily brighten in the UPA's firmament. He is now spoken of as a strong contender for the job of India's finance minister if Pranab Mukherjee goes up Raisina Hill to Rashtrapati Bhavan. He met* **BUSINESS TODAY** *the day before a trip to Brazil. Excerpts from the interview:*

On fears that nothing the government does now will stem the slide in the economy, especially with national elections looming in 2014:

Considering that we are living in an interdependent world, interconnected – the adverse impact has hurt the Indian economy too, particularly if you look at capital flows, commodity prices, petroleum prices, all of them have impacted the currency (and caused) the rupee's devaluation. Secondly, that has also contributed to the burgeoning trade account deficit. Though our exports have increased the deficit has increased much more primarily because of the skyrocketing petroleum prices.

(On) what we do now, whether it is going to turn around the present situation. The answer would be yes. It's a question of how long it will take for the final results to kick in. The mood, the sentiment can be uplifted once some decisions are taken like fast-tracking of the key infrastructure projects. So it's both the demand and the supply side from where the job creation and sustainability comes, which also has another positive spin-off – that is consumption. If there is economic activity, if incomes grow, if jobs are created, consumption will also increase, particularly of consumer goods. So again it's a multiplier.

On the rupee's rapid depreciation neutralising falling oil prices:

The (oil) prices are falling only marginally. The larger issue is even if you are importing at $100 (a barrel) you are still importing in dollars, and a substantial part of what we export, there is an import component, even in what you produce or manufacture. Not for all, but the import component is also substantial. (Those imports) will again be in hard currency. That will not be in rupees and many of the exporters have entered into dollar trading contracts. So those who have done that, they are hurt. Then at the same time the importers particularly in the traditional destinations I'm told have been sitting on huge inventories because of the contraction of demand, given the very weak recovery or nil recovery in many of the developed countries in Europe. So the importers are demanding big discounts because of the currency devaluation. Multiple blows. It's not simplistic. There would be some segments that would be benefited, but overall it is not going to improve the trade account deficit at all, not even remotely.

On the government's paralysis on reforms:

The government has a very strong commitment to the reforms agenda. We know that the last few quarters there has been a deceleration. We are concerned, not only about the rupee devaluation, but more so industrial production, particularly the manufacturing sector, which we want to change. Last year we had come out with the National Manufacturing Policy, which is in my view perhaps the

most significant policy roll-out in recent decades, with the aim of raising the share of manufacturing in (GDP) to 25 per cent, (creating) 100 million jobs, but effectively cutting out delays and red tape to create the best possible model with a single window clearance mechanism.

Now insurance reforms are with Parliament. I hope the monsoon session will clear them. The government is keen and we are urging the opposition to support this. India's national interest lies in that. Third is the GST (Goods and Services Tax). That to my mind alone will be a single booster dose for the GDP.

pure business sense. And the policy mandates that they are obliged to sell to the licensed retailer at the wholesale price. So this entire canard, the *khudra vyapari* or the small retailer will lose out, not at all. That's not the question. They are not going to come in and take over your neighborhood stores.

On concern that India has lost its shine and the "I" is about to fall out of BRIC:

Yes, there is an overall slowdown. There is deceleration even in China. We cannot blame it entirely on global

"This is the time to heave yourself, not the time to be overwhelmed"

On whether the GST will happen:

The states are very much a party to this process, because the committee of the finance ministers of the states is chaired by Sushil Modi (of Bihar). So once that committee has made its final recommendation, I'm sure that those (states) would be on it. I see no reason why they shouldn't be. Election year or no election year, we have to bear in mind, governments are in office and in a democracy, the governments also change, but the philosophy should not change if you are in opposition or if you are in government...In a democracy, dialogue is important. There are other issues where we can exchange words or can have a political debate, but these are not issues which should be trapped in partisan considerations and this must also include the (FDI in) multi-brand retail. Because what India is seeking to do is entirely different from what other countries have done. It has a distinct Indian signature. It has conditionalities which no other countries have done (like) 50 per cent from the rural back end. From modern warehousing to processing, to cold storages, the entire value chain, plus they will open up only in cities with a population of one million plus. So only 52 out of 4,000 cities and towns in India. Again there might be many states which might not opt for it to begin with. Therefore the viability in economic terms would demand that those who invest in a big way, they also sell to the retailers. It is

factors. Some of the factors are our own, when you have major reforms trapped in partisan politics. But one or two big decisions can turn it around so quickly that you cannot imagine. You can turn around in weeks. You don't need years to turn around. We have seen it in the past. It will happen. I feel that the present downturn... yes, it is serious. We have moved into strong headwinds. But it should bottom out. And I remain hopeful. Of course praying for a good monsoon.

On being spoken of as the next Finance Minister:

We have Pranab*da*. I am very passionate about what we are doing here. National manufacturing policy, FDI... Last year we recorded the highest ever FDI in a single year, $50 billion plus. My aim is to keep on expanding and doing as much work, situation permitting and leaders agreeing. So I am very comfortable here.

On working to change the negative perception about India:

Yes, we have to change the perception. We have to turn around the situation. We cannot just sit back with a sense of resignation. This is the time leadership gets tested. And this is the time to heave yourself, not the time to be overwhelmed. I am of this view. I am not running away from the realities, I am not in denial. ◆

Taking a Breather

With the economic downturn and policy paralysis biting, companies are easing up on their plans. By SUMAN LAYAK, MANU KAUSHIK and K.R. BALASUBRAMANYAM

Amber Signal: RIL may go easy on further investment in KG-D6 (below) and other projects if it fails to get government approvals

Politics and industry – mining or otherwise – often walk hand in hand in Karnataka. In the first week of June, the state government organised a global investor meet in Bangalore to showcase the state's investor friendliness. Veteran industrialist Sitaram Jindal used the opportunity to air his angst. The Chairman and Managing Director of Jindal Aluminium said that when he came to Bangalore 45 years ago, the state machinery was very friendly, whereas today's bureaucrats are hardly courteous. "Now, Karnataka's single-window system for investments has many backdoors and ventilators, and industrialists are made to run from pillar to post," he said. Jindal's outburst was an expression of frustration – the state government has failed to hand over land to his company eight months after acquiring it from its owners.

While such public outbursts are rare, it is a fact that Indian industrialists have to jump through hoops to get their projects going. With the slowdown compounding their problems, companies are being forced to come up with alternative strategies.

Take Larsen & Toubro (L&T), for

"WE HAVE RESTRUCTURED THE COMPANY AND MOVED KEY PEOPLE TO THE POWER BUSINESS"

L. MADHUSUDHAN RAO
Executive Chairman, Lanco Infratech

other 18 months time to achieve financial closure, so for that reason, we will be slowing down," says Rao.

The surge in prices of imported material is not helping. Sunil Sikka, President of Noida-based Havells India, says prices of some raw materials and finished goods imported from China, Europe and Thailand, including glass and table fans, have jumped nearly 20 per cent. "Our import bill has gone up by 20 per cent to around ₹250 crore in the past one year. We are now looking at sourcing some raw materials locally."

In the infrastructure sector, where special purpose vehicles (SPV) are finding it difficult to raise equity on their own, IDBI Capital, the merchant banking and securities arm of IDBI, is trying to fund companies by providing debt to their holding company. "The RBI allows holding companies to borrow up to 50 per cent of the equity infusion in infrastructure SPVs," says Abhay Bongirwar, MD of IDBI Capital. "We will provide working capital like debt funding to the parent so it can keep its infrastructure SPVs capitalised." The financier is trying this model out with a premier construction company.

RACHIT GOSWAMI

"WE EXPORT TO 80 COUNTRIES AND WE CAN SENSE A GENERAL SLOWDOWN"

ANANT GOENKA
MD, Ceat Ltd

One of the areas worst affected by the slowdown is real estate. The sector's woes have also hit a number of its ancillary industries. Hindustan Sanitaryware (HSIL) is one of India's largest building products and container glass companies, with revenues of ₹1,422.15 crore. Last year, the Gurgaon-based HSIL announced plans to invest ₹650 crore to expand into Andhra Pradesh, Rajasthan and Haryana and build new plants in Gujarat and Rajasthan over the next three years. The company has been growing at a compound rate of over 30 per cent over the past two years. Given this, the management decided to also line up a second round of investment, amounting to ₹1,200 crore, to set up three more plants by 2015/16. Now, more than a year later, HSIL has spent nearly ₹420 crore of the planned ₹650 crore investment. But it has decided to defer its second round of investing. Joint Managing Director Sandip Somany cites lack of clarity on where the economy is headed as the reason.

"There are no visible signs of a slowdown in our business. But if the economic turmoil continues for a few more months, we could see our growth falling by three per cent," says Somany. "It's not sane to make such a big investment now."

It's a stark warning of things to come. Take Ceat Ltd, for instance. After a bad year, the company shelved its plan to shift its Mulund plant to a new location in Ambernath, near Mumbai. "The next six to nine months will be slow. We export to around 80 countries and we can sense a general slowdown. The real has depreciated in Brazil and Europe has its own problems," says MD Anant Goenka.

For industrialists, the government may be a part of the problem rather than a part of the solution. But with shareholders to answer to, they have already turned to Plan B–sitting tight on their hands and hoping the winds change. ◆

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In the Eye of the Expat

How do those who have come to India from overseas view the current situation?

By ANAND ADHIKARI

This is a volatile place," says Frank Hancock, Managing Director, Corporate Finance, Barclays India. A Briton who came to India after stints in West Asia, Eastern Europe and Africa, he has lived in Delhi and Mumbai for the last 18 years. So volatile has his stint been that he once considered leaving for good, when the economic slowdown at the turn of the millennium, along with the Kargil war, almost brought business to a standstill. "In hindsight, I'm lucky I stayed back," he says. Having lived through past slowdowns here, he is not particularly worried about the present one.

A host of expatriates have made India their home since economic liberalisation began in 1991. Some have come as heads of multinational corporations, others at lower levels in these companies, still others as entrepreneurs. Many Indians, who had either grown up or lived for years overseas have also returned, keen to play a part in the India growth story. How do they feel about doing business in India now? With growth having slipped, inflation running high and the rupee depreciating sharply, do they share the current gloom that has gripped many locals? Or do they think this is just a temporary phase?

Opinion is sharply divided. Andrew Holland, CEO, Investment Advisory, Ambit Capital, a financial services company, who also hails from Britain, agrees with Hancock that current fears are overdone. "This too shall pass. The situation is not as bad as being made out."

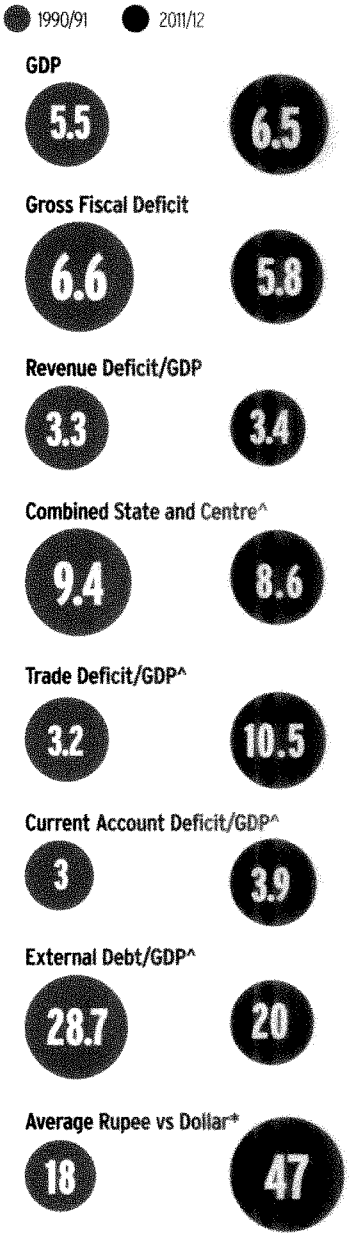
But there are others who take a very different view. Ruchir Sharma, Head of Emerging Markets at Morgan Stanley, for instance, whose book *Breakout Nations: In Search of the Next Economic Miracle* has been making global waves, gives India only a 50 per cent chance of success. Sharma had his early education in India, but has since been based in the US for many years.

"India is already showing some of the warning signs of failed growth stories, including early-onset overconfidence," he writes. "(There are) a whole series of risks that the Indian and foreign elites leave out of the picture, including bloated government, crony capitalism, falling turnover among the rich and powerful, and a disturbing tendency of farmers to stay on the farm." In keeping with Sharma's sceptical view, Morgan Stanley has estimated India's gross domestic product (GDP) growth in 2012/13 at 5.8 per cent against the Reserve Bank of India's estimate of 7.3 per cent and the finance ministry's 7.6 per cent for the same year.

Many expatriates believe India could have avoided the current crisis had it pushed further economic reforms early. These include modifying laws to make land acquisition easier, and allowing a larger volume of foreign direct investment in certain vital sectors. "The absence of any reforms does have its effect on proprietor confidence, since people launch projects with the next five to 10 years in mind," says Ajay Srinivasan, CEO, Aditya Birla Financial Services, who worked overseas for many years before returning to India in 2007.

Even a sympathetic observer like Holland of Ambit Capital expresses his unhappiness. "The last time we heard of reforms was when the National Democratic Alliance (NDA) government was in power from 1998 to 2004," he says. Srinivasan even attributes the golden run from 2003 to 2007 – when the country saw an investment boom and had three consecutive years of GDP growth above nine per cent – to decisions taken during NDA rule. "They include policy steps

BACK TO THE FUTURE?



^As on December 2011
Source: RBI, Budgets

PHOTOGRAPHS BY RACHIT GOSWAMI

"THE COST OF DOING BUSINESS IN INDIA IS HIGH. EXCEPT FOR LABOUR, EVERYTHING IS EXPENSIVE"

ESTHER LENNAERTS
Executive Chairperson, Pressto

"THE ABSENCE OF REFORMS DOES HAVE ITS EFFECT ON PROPRIETOR CONFIDENCE"

AJAY SRINIVISAN
CEO, Aditya Birla Financial Service

towards de-regulating telecom, increasing power generation and so on," he says.

Blame Game

How justified is the government's excuse that the current economic woes are largely a fallout of the situation in Greece and the Eurozone? "No country is entirely insulated from the crisis in Greece, but India is still relatively sheltered," says Georg Stratenwerth, Managing Director, Advent International Global Private Equity, who hails from Germany. He should know, having worked in the US, Britain, and Thailand, before he came to India three years ago. So too, Srinivasan feels India itself is largely to blame. "Our current situation is mostly the result of bad economic management from 2008," he says.

Expats' worries are not all that different from those of Indians in business: they, too, rue the lack of attention to infrastructure, the growing corruption, the rising fiscal and current account deficits, the persistently high inflation. "The cost of doing business in India is becoming very high," says entrepreneur Esther Lennaerts, a Dutch national. In 2007, she set up Pressto, a dry-cleaning service in Mumbai and Delhi for premium brands, in partnership with Radha Kapoor, YES Bank founder Rana Kapoor's daughter. "But for labour, everything is expensive," she says.

Sylvain Bilaine, also French, former Managing Director of Renault India, who now runs an India-focused consulting firm, SYB Consulting, spells out details. "It is a nightmare to borrow money here, with interest rates at 12.5 to 15 per cent," he says. "Unless interest rates are lowered, the index of industrial production will remain flat." India's IIP grew just 0.1 per cent in April, compared to a year ago. Vikram Gandhi, who spent nearly two decades overseas working with Morgan Stanley and Credit Suisse, but now runs an advisory firm in Delhi, is even more pessimistic. "Foreign investors have other alternatives in the global marketplace," he says.

But is there a genuine likelihood of slipping back to the bad old days of 1991, when a sharp dip in forex reserves raised fears of India defaulting on its international loans? (See *Back to the Future?*) Most of those spoken to dismiss such a fear as exaggerated, noting that the Indian economy is now far more robust and diversified than in 1991.

"Forex reserves as a ratio of imports are significantly higher now than in 1991," says Srinivasan. But that is no reason for complacency. "What concerns us about India's balance of payments at the moment is the size of the oil import bill, coupled with greater reliance on short-term flows," says Barclays' Hancock.

A few weeks ago, when he went sailing off the South Mumbai coast, Stratenwerth spotted a pod of dolphins. "We had heard that dolphins had disappeared from these waters," he says. "But they were back. Perhaps they just lost their way, but have now found it?" He hopes that India, which also seems to have lost its way, will find it soon as well. ◆

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Powering Energy Utilities in India

Hitachi, in alliance with SFO Technologies Ltd of NeST group, accelerates the development of IT-enabled innovative solutions for the Indian power market...

The need to speed up generation

● The Indian power industry is going through a period of unprecedented change. The country requires sufficient and reliable power to support the booming industrialization and meet the increasing demand of household electricity.

● To meet this rising demand for electricity, the country has planned a capacity addition of 100,000 MW in the Twelfth Five Year Plan.

● The resurgence in power generation projects, with many large greenfield projects, has increased the demand for Distributed Control Systems (DCS).

● 200 to 500 MW thermal units contribute about 60% of the total power generation in the country. A large number of these have or are near completing their normal operating life and need modernization and life extension (LE). There exists a potential for enhancing their rated capacity by 4–8% and efficiency by 8-10% in various stages. A number of LE pilot projects have been taken up under the Energy Efficient R&M programme through funding support from the World Bank and KfW, Germany. The CEA has also prepared a National Perspective Plan for R&M and Life Extension and Uprating up to 2016-17.

● The demand for DCS has thus been fuelled with the growing realisation of energy utilities to replace their outdated and inefficient control systems in order to sustain the percent of power generation to the overall power generation capacity.

● Application of DCS reduces downtime and also aids improved production using optimal resources. The power industry is emerging as a lucrative end-user segment, especially with the rise in generation capacity. This industry has invested significantly in automation of processes and DCS being a vital component of automation systems, stands to gain substantially.

Power of technology

● Deployment of DCS eliminates surprises and risks in utilities' operations, which reduces downtime and enhances timely execution of task and efficiency, leading to healthier profit margins.

● The Tamil Nadu Generation and Distribution Corporation (TANGEDCO) Limited has already experienced this power of technology. The state utility uses Hitachi's state-of-the-art HIACS control system for its generation assets in Mettur and Tuticorin.

● The HIACS systems ensured a safe and reliable operation of power generation for over 20 years. Hitachi upgraded the existing HIACS3000 DCS to its latest HIACS5000M series in a record time of 15 days which was within the routine shutdown period. The next day the unit achieved full load in an auto mode. TANGEDCO and the society benefitted economically due to reduced shutdown.

100 GW

capacity addition in power generation has been envisaged in India in the 12th Five Year Plan (2012-17)

BRIGHT OUTLOOK FOR DCS MARKET

● In view of the capacity augmentation plans in power generation, the outlook for DCS industry remains bright in India. India's power sector presents excellent opportunities for DCS manufacturers, who can cash in on the capacity expansion drive in the country.

● Utilities across the sector recognise the urgent need for comprehensive and innovative IT-enabled solutions to significantly improve their overall productivity, energy efficiency and performance.

● India is a home to almost every big name in IT and automation across the world.

All facts, figures and statistics contained in this feature, unless specific to Hitachi Limited (the company), are available in the public domain.
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ONE-STOP SOLUTION

- Hitachi-NeST Control Systems Pvt. Ltd. provides full customer support, from engineering, manufacturing and commissioning to maintenance of its advanced control systems for the entire value chain of the power sector – including thermal power generation, transmission and distribution.
- In its DCS business, the company will closely work with BGR Energy Systems Limited in the field of boilers, turbines and generators for thermal power plants, in order to satisfy customer's requirements. The DCS business will be expanded to cover other social infrastructure businesses, based on the DCS expertise for thermal power plants.
- Hitachi has more than 40 years of experience in designing and manufacturing of advanced control systems for thermal power plants across the world.
- The company has joined hands with India-based SFO Technologies, a part of the NeST Group, to gain a stronghold in domestic markets.
- Combining the experience and know-how of Hitachi and SFO Technologies, the alliance is aimed at bringing a highly reliable system in place with seamless support, in order to satisfy customers' requirements.

INTERVIEW *Mr. Junichi Suzuki, Managing Director, Hitachi-NeST Control Systems Pvt. Ltd.*

"We have a bigger focus on social infrastructure market of India"

What led Hitachi to form a joint venture with the NeST Group? What is the main objective behind this alliance?

Hitachi has been co-operating with NeST for over 16 years in the field of power plant engineering whereby Hitachi trained and utilized NeST resources for product development, engineering services for projects in Japan and outside Japan. This relationship culminated as a joint venture (JV) when Hitachi decided to expand its control systems offering outside Japan. The main objective of the alliance is to contribute to the social infrastructure business in India by leveraging on Hitachi's cutting-edge technology, domain knowledge with strong SFO local manufacturing skills so that suitable local products can be developed.

Which part of the energy business will be catered by this JV? What will be your product and service offerings?

Control systems for the entire energy spectrum from power generation, transmission and distribution will be our focus. Besides this, systems for train, water and sewage and other social infrastructure business will also be offered. We plan to closely work with BGR Energy Systems Limited in the field of boilers, turbines and generators for thermal power plants, in order to enhance customer satisfaction. The company will also supply systems for transmission and distribution and other social infrastructure projects.

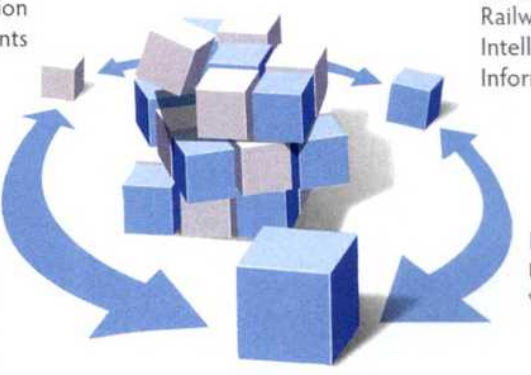
How significant is the Indian energy market for Hitachi NeST Control Systems Pvt. Ltd.? What are the performance targets set by you?

Hitachi has been focusing on social infrastructure on a very large scale. In that domain, power is a very critical component. We expect India to add 100 GW in the next 5 years. We would like to be a part of this ambitious plan for India. We are targeting sales of approximately Rs 1.5 billion (2.6 billion yen) in the fiscal year ending March 2015.

Hitachi India: Synergetic Growth

Hitachi NeST Control Systems
Control systems integration
Local maintenance for thermal plants

Hitachi and SFO Technologies – Combining experience with expertise



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Treasure Hunt

Some unique assets could give you above-average returns. Alert: you could also lose your shirt.

By ALOKESH BHATTACHARYYA

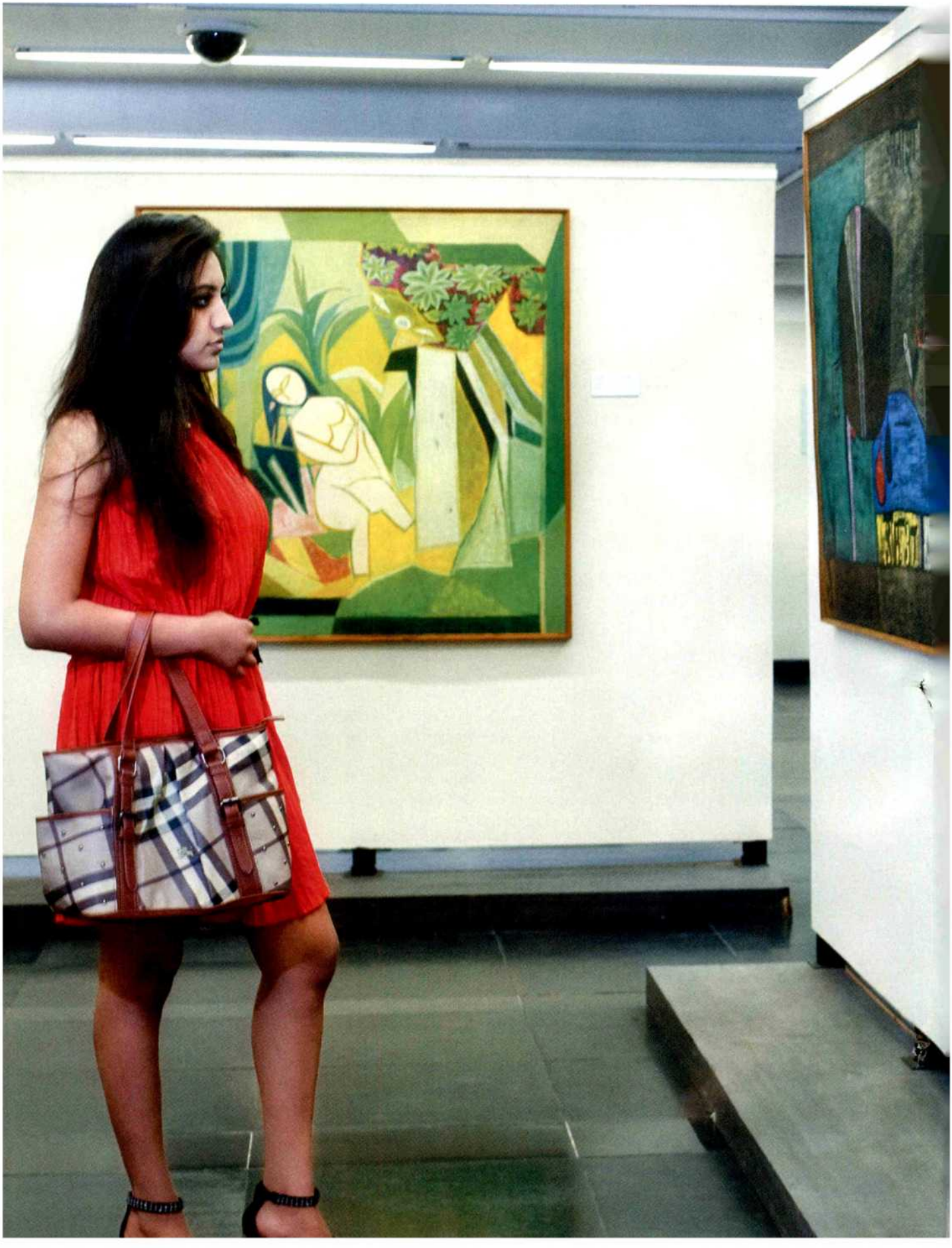
"It's a rich man's world," famously crooned Swedish pop act ABBA in 1976. Everybody wants to be rich. But for most of us, getting rich is a matter of effort – landing a good job, succeeding in a business venture. Or chance – you win a lottery or become a movie star! There are also some, of course, who have earned great wealth through investments, especially in stocks or property.

In this package, we take a look at some unconventional assets – art, land, diamonds, fine wines and whiskies, and some high-growth stocks – that can give great returns but also entail huge risks. A recent Barclays report says 'treasure assets' such as art, wine, and classic cars comprise three per cent of the net worth of wealthy Indians. Where do they invest most? It is still in gold and real estate, according to Muralidhara Kadaba, Chairman of Altamount Capital Management, which advises the rich on investments.

The rich are better at it, but experts generally discourage others from getting into exotic assets. At the very least, they can be illiquid and opaque in terms of valuations, according to Satya Narayan Bansal, Chief Executive – India, Barclays Wealth and Investment Management. So, if you do invest in these areas, cover your bases first – ensure you own a home, have sufficient life insurance, enough debt and equity investments, and other assets you consider important, to cushion you from life's vagaries. Second, do not put in too much money, so you can bear a loss if it arises. Third, do your homework, and take professional advice.

Finally, go where your heart takes you. If you love art, buy art. You will likely do a good job of it.

Art 66
Land 72
Diamonds 78
Wine and Whisky 84
Stocks 90



PHOTOGRAPH: VIVAN MEHRA; MODEL: SHREYA AHLAWAT, LOCATION: NATIONAL GALLERY OF MODERN ART

Art | Land 72 | Diamonds 78 | Wine and Whisky 84 | 90 Stocks

Gold Brush

Art is a difficult area to invest in, but with the right approach you could hit the jackpot.

By GOVIND DHAR

Art. To the uninitiated, the word conjures up images of lofty discussion and cerebral pursuit around a paint-strewn canvas; or a dense discourse of styles, eras, masters and concepts about the whys and wherefores of a sculpture or photograph and its meaning. Where does neo-classicism fit in with post-modernism? Is art a traditional painting or is it a mechanical dinosaur mounting a Jaguar car? Rife with abstraction and complexity, art has the ability to intimidate as well as allure. From impasto to pop art and post-modernism to sound experimentation, the art world's vocabulary beguiles and intrigues.

So, if the idea behind the finished product can be so complex, where does that leave valuation? How does it come to be that a vast skull made of common Indian kitchenware can command millions of dollars and be displayed on the Grand Canal in Venice, and that a small canvas by a dead painter commands more in an auction room? And what about those on the periphery? What factors decide which new artists will hit the big time, and is there a formula to breaking records

Tips for Investing in Art

COVER YOUR BASES: Ensure you have invested in a home, your family's health and education, and have a diverse portfolio giving you adequate returns before looking to invest in art

MINIMUM INVESTMENT: For an art portfolio it is about ₹15-20 lakh for new investors, but individual works can start around the ₹1-lakh mark

READ, RESEARCH, VISIT: Educate yourself about art. Visit fairs and galleries, read around the subject or your favourite artists. Meet new artists and talk about their work

GET EXPERT ADVICE AND VERIFICATION: Even well-reputed galleries have failed to spot fraudulent works in the market so get an experienced eye to look at the works before buying

LOVE WHAT YOU FINALLY BUY: Art does not always appreciate or sell quickly. Gaining monetary returns from art usually requires time, so buy what you love, not what you think will turn in a quick profit

at auctions? Most of all, how do newcomers to art understand it? Or, indeed, invest and profit from it?

The gurus of the Indian art world suggest that learning about art and, therefore, appreciating it is not an exclusive, but time intensive process. "Learn about art on many different platforms, take time to see lots of exhibitions and get to know artists," says Peter Nagy, Director of Nature Morte art gallery. "Work with a trained gallerist or art advisor who has been working in the field for years." But does a self-administered education in art make it easier to invest? "I am not sure art is attractive to investors," says Amrita Jhaveri, a Mumbai-based collector and art advisor. "To be a good investor, one should be a collector first, and that is a different level of engagement. It is unrealistic to expect financial returns from art. The returns from art can be emotional and cannot be easily quantified."

Much like the debate on what constitutes art, opinions on investing in it differ. "The Indian art market has lagged behind global trends due to its unstructured format and also because of the lack of wealth in the country," says Amit Sarup, President of investment firm Religare's art and family office. "In the coming years the market is expected to multiply manifold. This will lead to an appreciation in prices." According to Art Tactic's May 2012 Confidence report, the Indian art market has been in decline in the past 20 months. Current sales volume is 62 per cent lower than in June 2010, so 'blue-chip' works of masters are available at cheaper rates.

Adds Ajay Seth, chief mentor of Copal Art: "In 2006, the 10 most expensive Indian artworks were priced at just 1.3 per cent of the 10 most expensive artworks globally. This has risen but is still under two per cent of global prices. Indian art is slowly gaining both in terms of price appreciation and global acknowledgement."

Art investment has become an alluring concept. Indian art became hot property in 1995. A decade on, prices for the works of masters such as M.F. Husain, S.H. Raza, F.N. Souza and the like soared (see *Art Pays*), crossing the million-dollar mark several times. They now attract comparisons, not always fairly, with art valuations for the works of Pablo Picasso, Damien Hirst and even Chinese art masters. "Indian art has simply not made the great crossing into the normality of the international art world, in the way Chinese art has done," says Ranjit Hoskote, one of the country's most respected art theorists and curators. So, how does one go about investing in art?

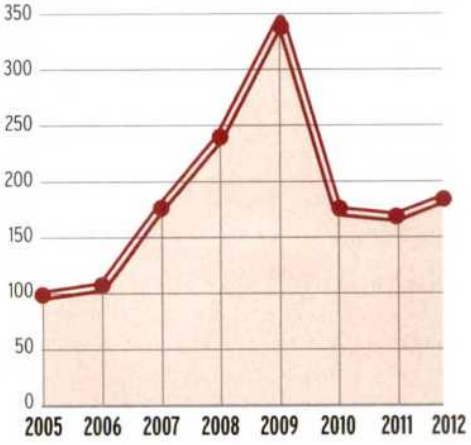
First, let us distinguish between the market for the masters and the one for popular contemporary artists. The works of a few masters – such as Raza, Husain, Souza, Tyeb Mehta, V.S. Gaitonde and Amrita Shergill – feature in top auctions and sell for crores. According to Art Tactic, contemporary artists such as Jitish Kalat, Bharti Kher, Subodh Gupta, Alwar Balasubramaniam and Atul Dodiya, among others, are likely to have price and value longevity beyond 10 years.

Popular contemporaries and upcoming artists use a variety of new techniques, materials and media to create works that you can hang on a wall as well as experience in the form of sound or video installations and sculpture. However, in India, paintings and sculptures command the highest prices.

The art market in India is estimated at anywhere between ₹1,000 and ₹2,000 crore. "If one invests in the established artists, downsides over a long-term period are limited and a decent return can be expected," says Sarup. "Similarly if one invests in new artists, then the risk will be relatively much higher, though gains

Art Pays

Indian art prices have surged since 2005, but corrected somewhat after the 2009 slowdown



Base 100 in 2005 Source: theartstrust.com
Top 100 Indian Contemporary Artists Price Index

expected will also be much higher on an absolute basis."

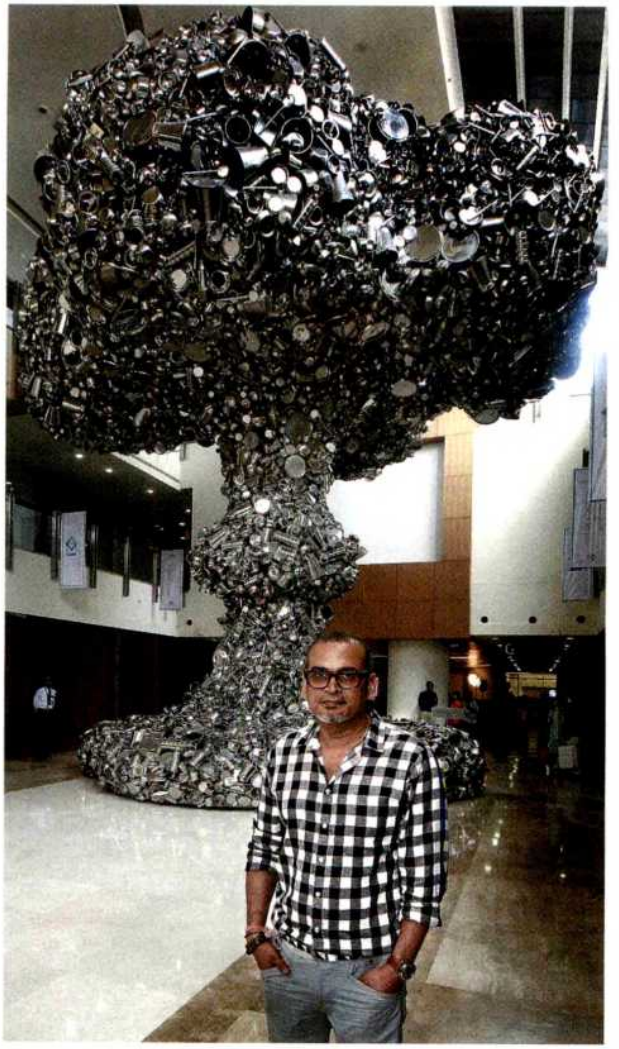
For investors with ₹50 lakh and above to invest in art, a basic portfolio of works of some of the popular contemporaries can be put together. However, for those looking to invest in emerging artists, a healthy art movement is bubbling across the nation with experimentation across a variety of styles and media, providing better options to those with ₹10-15 lakh to spare. In fact, at a time when masters' works are not fetching what they should globally, picking up art works for relatively less and selling them quickly could be an option. Seth says: "One of our clients had purchased an 8x6-inch untitled work by Raza – acrylic on canvas – for ₹5 lakh. It sold for ₹6 lakh in less than a week. Another client bought a sculpture by Raza for $20,000, which sold for $30,000 within a week."

Looking out for the 'next big thing' is the big attraction in art investment today. But art pundits discourage speculation of this sort, and not just because their outlook on art in India is bleak. "India's art pedagogy is weak, and will consistently turn out artists whose basic understanding of art-making is shaped by a gallery ethos," says Hoskote. "Artists are unwilling to take major creative risks and are held captive by the temptation of high finish, well-behaved objects, and manuals of achievement." But Hoskote is hopeful, as people from outside conventional art-making territory – design, activism, cyber culture, photojournalism, blogging, architecture – are making the best works.

So, where do we look for new talent? "The first place to look is at the programmes of younger galleries – less than 10 years old – in the city that these artists live in," says Jhaveri, the Mumbai collector. Others advise following the art scene closely by ascertaining who the tastemakers are.

Hammer Time: Sotheby's clients can watch all auctions live online, and place bids from anywhere in the world

GETTY IMAGES



Different Strokes: Artist Subodh Gupta takes everyday items and creates monumental art installations

such as gallerists, art promoters, curators and art theorists, and getting an idea of what they feel is growing the ambit of art expression in India. In this space, some established art galleries such as Vadehra (Delhi), Nature Morte (Delhi), Chemould Prescott Road (Mumbai), Pundole (Mumbai), Apparao Galleries (Chennai), Galerie88 (Kolkata) and Gallery Espace (Delhi) are a good starting point. For more experimental or newer artists, Devi Art Foundation, KHOJ, Gallery Skye, Experimenter, Mirchandani & Steinruecke, and Seven Art Limited are the galleries to follow.

In terms of whom and what type of artist to look out for, the list is ever-growing. For example, photographic art is beginning to create records globally but has yet to have the same cachet in India. Still, artists such as Gauri Gill, Ryan Lobo, Yamini Nayar and Remen Chopra have established themselves with the medium. From Chopra's exploration of layered aesthetics and Gill's captured commentary on everyday life and people, to Nayar's explorations of architectural space and memory and Lobo's captivating sceneries, these photography artists pave the way for the camera at home and abroad. Then, of course, there is film and sound art of which Navin Thomas and Rashmi Munikempanna are upcoming exponents. These two demonstrate works that do not always have an obvious narrative but delve into abstract ideas and frameworks.

Taking abstraction to new heights with a variety of works using traditional methods of paint and canvas as well as film, video, sound, drawing and sculpture, The Desire Machine Collective (Sonal Jain and Mriganka Madhukaillya), Praneet Soi, Manish Nai, Asim Waqif, Rohini Devasher, Aakash Nihalani, Seher Shah and Sumakshi Singh have exhibited works in India and abroad. On closer inspection of these works, categorisation becomes impossible, signalling the changing face of the practice. Best of all, works by these artists can be picked up from anywhere between ₹50,000 and a few lakhs, with a few works just about crossing the ₹10-lakh mark.

While certainly not exhaustive, this list demonstrates the wide variety of abilities, exposure, conceptual exploration and expression in art that is perhaps not on every collector's radar in India. However, the work on display and the number of galleries and art organisations at home and abroad that are taking note of India's contemporary artists could spell the coming of another Subodh Gupta or T.V. Santhosh at a time when experimental or non-established artists' works are relatively cheap. But many would do well to Nature Morte's Nagy: "You don't go to a shoemaker to get your teeth fixed. Likewise, contemporary art is a highly specialised field and you should get the advice of professionals."

For those who do not have time to research, art advisors such as Copal Art, Crayon Capital, Sotheby's auction house, Art Ventures & Management, and Religare offer advice on how to go about collecting and selling art for a profit. They also educate you on the art world, masters, contemporary and modern movements via prescribed talks, fora and discussions. Saffronart, an Indian online auction house, is even experimenting with capsule auctions where no reserve prices are set for works. Theoretically, works high in value can be bought for a fraction of their market price. All in all, in-depth knowledge of the market and its players, their concepts and media, and their progress is the mantra for knowledgeably investing in art.

Of course, the best investors are art lovers first. After that, profit becomes relative. ◆

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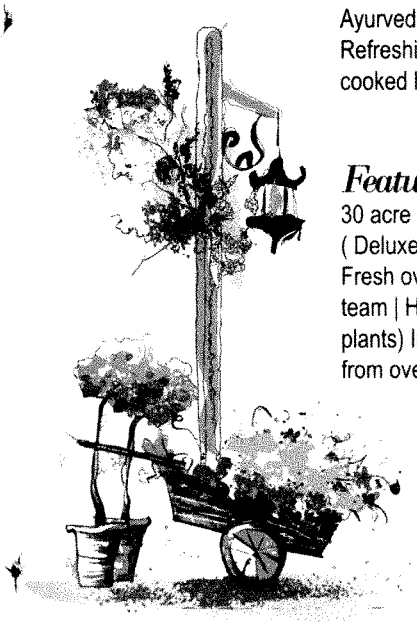

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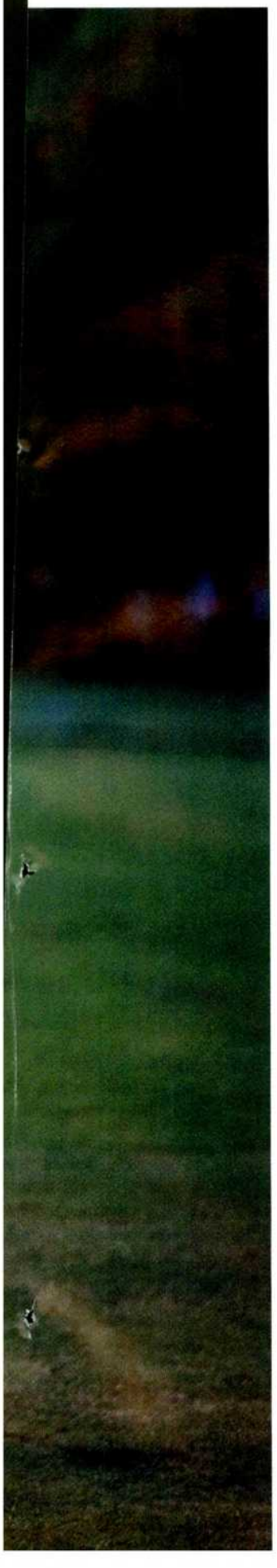


PHOTOGRAPH: VIVAN MEHRA; MODEL: MARIAA/SARAMODEL MANAGEMENT

66 Art | Land | Diamonds 78 | Wine and Whisky 84 | 90 Stocks

Promising Ground

Investing in these locations could make your money grow phenomenally. But if you are not careful, you could be taken to the cleaners.

By MANU KAUSHIK

"Buy land, they're not making it anymore"
Mark Twain

The American author's exhortation, made around 150 years ago, rings truer than ever today. As populations rise, industry expands to new areas to meet rising demand, and cities sweep outward like giant, growing amoebae, land provides the surest path to salvation for rummaging investors.

Twain would have been proud of Chennai's Shyam Shekhar. In 2005, Shekhar and his family – upper middle class, annual savings of close to ₹20 lakh, investments spanning stocks, land, mutual funds – were looking to invest surplus income generated from their financial services business. Shekhar noticed agricultural land in the nondescript town of Oragadam – situated on a high plateau 50 km north-west of Chennai – going at ₹1 lakh per acre. In nearby Sriperumbudur and Maraimalai Nagar, which had seen big-ticket investments from Hyundai Motors and Ford Motors, industrial plots were going

In demand: Naraspura, near Bangalore, is coming up as a major automobile hub

for ₹18 lakh and ₹20 lakh an acre, respectively. "Farmers (in Maraimalai Nagar) were selling their uncultivable land and buying Honda motorcycles," says Shekhar. And with Oragadam attracting huge interest from the likes of Renault-Nissan, Apollo Tyres, and Delphi TVS Diesel Systems, Shekhar smelt a jackpot. The family promptly bought five acres of land for ₹5 lakh.

Today, Shekhar's investment is worth ₹5 crore, giving an incredible compounded annualised return of 93 per cent. During this time, the entire Sriperumbudur-Oragadam belt has emerged as a big industrial hub with scores of companies setting up manufacturing base. "Two major townships are coming up within five kilometres of my land," says the 43-year-old. "There is a pool of investors that can consolidate land holdings and sell to developers as and when demand comes."

"Historically, there is only one way land prices move, and that is up," says Ravi Ahuja, Executive Director at real estate consultancy Cushman & Wakefield India. "The low interest-rate bias, strong liquidity environment and increase in disposable income have led to a strong run-up in land prices in metros and micro markets over the past decade." Migration of skilled and unskilled people to urban centres has had favourable effects on household income, consumption and property prices in several states. Gurgaon, a laidback village till the early 1990s, today boasts the third-highest per capita income in India after Chandigarh and Mumbai. As recently as in the past four years, land prices in some parts of Gurgaon have jumped more than 100 per cent.

Market experts believe GDP growth has a direct relation to the property market. If India has to grow at seven per cent plus year-on-year, more and more land would be brought under residential and commercial use. People can invest in real estate in multiple ways, but the return on land outperforms all other forms over longer investment periods.

However, investing in land could be fraught with risks. Money required for investment depends on the kind of plot – agricultural, commercial or residential – and starts from ₹10 lakh to multiple millions, depending on the property type and location. Land needs maintenance, which in turn needs time and money. There are other risks, too (see *Landmines*). Investing in land is about spotting the right opportunities. Retail land investors should look at emerging growth corridors where entry levels are low and development potential is more or less assured. Here are a few such examples from the several hotspots that surely dot Indiascape:

Mokila, Andhra Pradesh

Gachibowli and Kokapet, two important IT hubs and developing commercial regions, are largely surrounded by Hyderabad city, where land prices are sky high. A 20-km stretch west of Kokapet comes under a bio-conservation zone, and Mokila is the first residential village where construction is allowed. This makes it a potential realty destination.

Already, development is visible. Around 10 developers, including Sark Group, Green City Estates and Subha Gruha Projects are selling 250-350-sq yard residential plots at ₹3,500-5,000 per sq yard. "If you look at Mokila, it's a fairly developed area with good supply of power and water," says Lakshmana Rao, a mid-level IT professional who bought a 307-sq yard plot in Mokila for ₹14.43 lakh two months ago. "There are schools and hospitals, and a

Investing in Land

CAN START with ₹10 lakh and go up to multiple million depending on the kind of plot – commercial, residential or agricultural – location, and unit area

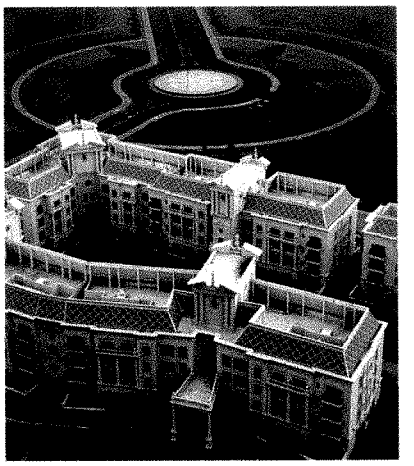
STUDY CITY master plan to find areas that are demarcated as future commercial or residential hubs

AREAS THAT are demarcated for mixed use (both commercial & residential) appreciate better than stand-alone areas

LOOK FOR the type of industry that an area has been able to attract. Typically information technology hubs drive land prices faster than manufacturing hubs

PERIODIC VISITS to the location to see the actual ground work is highly recommended. Areas that are high on noise but low on actual development should be avoided

Source: Makaan.com



new mall is also coming up," he says. Rao adds prices across the Hyderabad region are relatively less because of the Telangana issue, and if that gets resolved, he expects to see a massive surge in prices.

Dholera, Gujarat

Located 120 km south of Ahmedabad, the port town of Dholera is the first notified SIR or special investment region in Gujarat. The 60,000-hectare area has been earmarked for industrial and commercial activities through the SIR Act, 2009. According to K.D. Chandnani, CEO of Dholera SIR Development Authority (DSIRDA), companies such as Hindustan Construction Company, Singapore-based USEL Group and Hotmail founder Sabeer Bhatia's Nano Works Developer Gujarat have shown interest in building industrial and residential projects within DSIR, and the DSIRDA has offered over 2,366 hectares to them.

The area around DSIR will also experience massive development over the next few years, be it a new international airport within 30 km, an expressway connecting Dholera and Gandhinagar, or a metro rail link connecting DSIR with cities such as Ahmedabad. DSIR forms part of the second phase of the $90-billion Delhi-Mumbai Industrial Corridor project, which aims to create a dedicated rail freight corridor by 2018.

While the Gujarat Infrastructure Development Board is expected to sanction the final development report submitted by DSIRDA in a couple of months, the area outside DSIR is buzzing with activity. Around 60 new residential schemes have been launched by several mid-sized and small developers in the past year. Plot sizes vary from 200 to 1,000 sq yards at ₹1,800-3,500 per sq yard. "Projects that are closer to the SIR are going for a premium. In the past couple of months, prices have appreciated by over 65 per cent," says D.K. Patel, Director at Dholera Metro City, one of the realtors that is developing 82 plots, and claims to have sold 90 per cent of its inventory. Other developers include Magnanimous Infrastructure, Aroma Realties, and Select Realty.

Ravet, Maharashtra

Located 25 km north-west of Pune, Ravet is known as the Gateway to Pune. It is also strategically placed between two major real estate market drivers – the Hinjewadi IT park and Pimpri-Chinchwad industrial belt. In the past decade, Pune city has spread out steadily to the nearby rural areas of Baner, Aundh, Wakad, Pimpri-Chinchwad and Baliwadi. Consequently, property prices in these areas have shot up. For instance, land prices in Wakad, a town 15 km north-west of Pune, are roughly 2,500-3,000 per sq ft. At ₹1,200-1,500 per sq ft., Ravet is cheaper.

Recognising future potential, several developers have acquired large land parcels in Ravet in the past two years. Although most are building apartments, investors can still buy residential plots in the vicinity. "Compared to the now staggering property prices in Pune and nearby locations, rates are lower in Ravet, and the appreciation potential is undoubtedly high," says Ashutosh Limaye, Head of Research and Real Estate Intelligence Service at Jones Lang LaSalle India. "A well-planned city, Ravet would attract many IT professionals who are looking for cheaper options but don't mind travelling a few kilometres extra."

Narasapura, Karnataka

After Gujarat, Chennai, Pune and the National Capital Region, Narasapura in Kolar district of Karnataka is on course to become a major hub with many automakers planning to set up their factories in this village 52 km east of Bangalore. It is also close to Bangalore International Airport and the bustling IT suburb Whitefield. The

SHEKHAR GHOSH

Talk of the town: Rajarhat New Town, near Kolkata, is in demand because of its infrastructure development, public transport facilities and sewage system

Karnataka Industrial Areas Development Board (KIADB) has developed nearly 685 acres of industrial land. Led by Honda Motorcycle and Scooters India, Swedish truck maker Scania and Mahindra Aerospace, some 22 companies have already acquired land in Narasapura.

"As soon as these units start operating, land prices are expected to go up substantially," says Ahuja of Cushman & Wakefield. Echoes R. Jithender Kumar, CEO, Paratus Buildcon, a developer that has launched two projects and has seven more in the pipeline: "We expect prices to touch ₹900 per sq ft. by next year." Paratus Buildcon is offering 440 plots of 1,200-2,400 sq ft. at ₹350-550 per sq ft.

Rajarhat New Town, West Bengal

It is a new development corridor identified and supported by the West Bengal government. Around 2007/08, developers and companies showed interest in setting up townships and offices, but were held back by infrastructure and wetland issues. But now the area is developing fast. The government's nodal agency, West Bengal Housing Infrastructure Development Corporation (WBHIDCO), is sprucing up civil infrastructure with a strong focus on electricity connections, public transport and sewage system. The ₹4,874-crore East-West Metro Project, which will connect Rajarhat New Town to Kolkata, is slated to open by 2014. "Previously over-hyped, Rajarhat New Town maintains long-term potential because of infrastructure developments, and the fact that it is close to the airport and is on the IT corridor," says Limaye.

Nearly 50 small and big developers are building housing projects in the New Town area. Besides, some 10-odd developers, including Mandira Developers, Keventer Group and Unnayan Developers, in and around New Town, are offering residential plots at prices between ₹12 lakh and ₹15 lakh per 750 sq ft. Then, there is WBHIDCO allotted residential land, which can be purchased directly from individuals. "People who are looking for quality space at affordable prices are shifting here," says Sujoy Saha, MD of real estate broking firm Grihalay Marketing.

Incidentally, in a curious irony, Mark Twain went bankrupt later in life – because of his investments in technology. Not land. ◆

Landmines

INVESTORS BUYING into a developer project must analyse the track record of the developer. Sometimes developers start selling land even before they actually acquire it or get necessary clearances

BUYING AGRICULTURAL land could be risky as the investor may not be able to convert it for commercial or residential use. You may end up growing trees there

GIVEN THE AMOUNT of black money involved in the real estate sector, investors may find it difficult to find a suitable buyer willing to pay the entire amount in white

BEFORE SEALING the deal, the property's title has to be checked. In India, titles to many land holdings have issues surrounding them

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Crystal

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90 Stocks

Wild Stones

Diamonds are not just a girl's best friend. They can also sparkle as an investment option.

By PIERRE MARIO FITTER

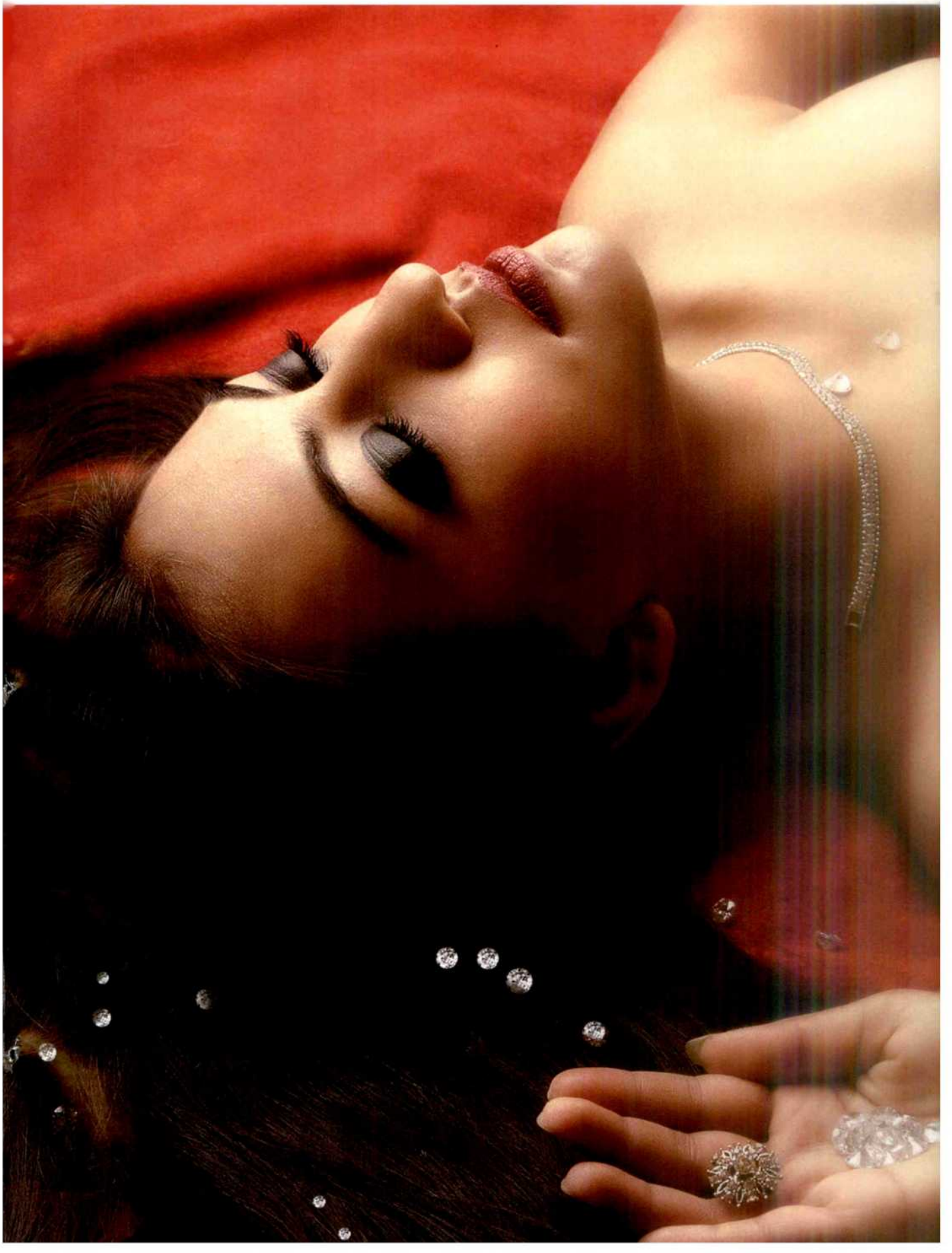
Indians visiting South Africa usually have three locations on their itinerary. There is the vast and stunning Kruger National Park, one of the world's richest biospheres, bustling with myriad flora and fauna. There are Johannesburg and Durban, where Mahatma Gandhi worked 21 years as a lawyer before returning to India to battle British colonial rule. And there is Cape Town, close to which, on Robben Island, Nelson Mandela, the heir to Gandhi's legacy of non-violence, spent 27 years in jail, before going on to become the country's first President after the abolition of apartheid.

Now, a new, fourth attraction in Cape Town is slowly seducing Indians. At The Diamond Works, tourists get a close look at high-end diamond and jewellery manufacturing. This one-stop diamond 'experience' – as it is called in city guides – also sells diamonds of all shapes, sizes and colours. "Indian visitors make up 10 per cent of our international visitors," says Amy Kimmel, spokesperson for the company. On average, Indian buyers who purchase stones spend $1,000 on diamond jewellery.

If you think that is a lot, hold your breath. One South African diamond tour operator, who declined to be named, said Chinese buyers typically spend upwards of $20,000 per visit. No wonder companies such as The Diamond Works currently offer tours with guides speaking in Chinese, English, Afrikaans, French, German and Russian – but not in Hindi.

The diamond, as an asset class, is a relatively new concept for Indians, but its popularity is rising. "Diamonds, of late, have become a status symbol for many, one to graduate to from gold," says Aloke Sen, Chief

PHOTOGRAPH: VIVAN MEHRA; MODEL: SHREYA AHLAWAT



Identifying a Good Diamond

Three Cs to look for while buying diamonds

COLOUR: A diamond's colour is a major determinant of its price. The rarest and most prized stones are virtually colourless and allow maximum light to pass through. However, almost all diamonds have some tint

CLARITY: Since diamonds are formed naturally, they have impurities or 'inclusions'. The clarity is the degree to which the stone is free from imperfections. The more inclusions, the less the diamond's brilliance

Internally Flawless | Slight Inclusions | Imperfect

CUT: The cut does not refer to a diamond's shape, but to its proportion, polish and symmetry. This can be gauged from the intensity (brilliance) and fire (colour) of the light it refracts

EXCELLENT	VERY GOOD	FAIR	POOR
Reflects nearly all of the light that enters, creating exceptional sparkle	Reflects most of the light, producing superior fire and brilliance	Allows much of the light entering to escape from the sides or bottom, reduced fire	Allows most of the light to escape. Diamond appears dull and lifeless

Operating Officer of Takshh, a Delhi-based jewellery chain. "Buying diamonds was always a discomfort because of lack of knowledge and absence of standardised practices. But now, people are becoming brand conscious and they actually get themselves educated on how to buy diamonds."

The market for polished diamonds in India is estimated at around ₹20,000 crore, says Ashok Minawalla, former chairman, All India Gems and Jewellery Trade Federation. A 2011 report by credit ratings firm CRISIL noted that demand for diamond jewellery in India and China grew more than 35 per cent in the past two years. India alone contributed 10 per cent to the global demand.

Most people prefer diamond jewellery to loose stones. "People, when they invest in diamonds, don't leave them idle. Mostly they prefer wearing them on a ring or as ear studs," says Takshh's Sen. The predisposition towards stones set in jewellery is borne out by the numbers. Vijay Verma, a senior sales executive with Ram Jewellers in Noida's Sector 18 market, says he sells about seven to eight loose stones a month, ranging from about 0.25 carats ("25 cents" in diamond trade parlance) up to 1.5 carats. Sales for diamond jewellery touch 25 carats a month at his shop.

Still, buying loose, certified diamonds may be a wiser option than embedding them in jewellery. For one they are easy to store, transport and handle, and unless you have been very careless with them, hard to chip or tarnish. There is also a relatively liquid market for them, if you have been careful about their provenance. In many cases, the jeweller you bought them from will buy them back. Or else, if they are valuable enough, auction houses will gladly do the hard work for you. The biggest clincher is the escalation in price. The 2011 CRISIL report notes: "On the back of strong demand, prices of polished diamonds increased by more than 30 per cent over the past year," and by doing so even crossed the peak levels of pre-downturn 2008. It added that the escalation trend was likely to continue given strong demand from India and China, and the re-emergence of growth in the US. In comparison, gold rose roughly 18.5 per cent in value from about $1,180 an ounce in 2010 to $1,400 in 2011.

Mehul Choksi, Chairman and Managing Director of the Gitanjali Group, a leading pan-Indian jewellery chain,

Every diamond sold in India is imported. That makes the rupee exchange rate a major factor in diamond pricing

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UP 11% PBT Year on Year

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A Navaratna PSU

PART I

STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.2012

(Rs. In crore)

PARTICULARS	Three months ended			Year to date	
	31-03-2012	31-12-2011	31-03-2011	31-03-2012	31-03-2011
	Audited	Un-Audited	Audited	Audited	Audited
1. Income from operations					
(a) Net Sales/income from operations (net of excise duty)	2,593.65	2,821.95	3,769.75	11,260.53	11,368.94
(b) Other operating income	0.93	0.23	0.00	1.36	0.37
Total Income from operations (net)	**2,594.58**	**2,822.18**	**3,769.75**	**11,261.89**	**11,369.31**
2. Expenses					
(a) Consumption of raw materials	6.05	5.50	5.48	24.01	23.18
(b) Consumption of Stores & spares	80.84	59.69	73.32	232.56	211.98
(c) Changes in inventories of finished goods and work-in-progress	-39.62	-38.89	-41.43	-22.72	-113.17
(d) Employee Benefit expense	126.53	138.91	145.73	529.10	491.05
(e) Royalty & Cess	292.80	262.32	334.18	1,022.61	931.76
(f) Selling Exps incl. Freight out	-2.28	44.47	399.59	144.02	863.86
(g) Depreciation and Amortisation	32.14	33.59	40.01	130.17	120.35
(h) Other Expenses	152.87	90.11	113.71	406.38	316.27
Total expenses	**649.33**	**595.70**	**1,070.59**	**2,466.13**	**2,845.28**
3. Profit from operations before Other income, finance cost & exceptional items (1-2)	1,945.25	2,226.48	2,699.16	8,795.76	8,524.03
4. Other income	546.77	525.16	441.09	2,016.49	1,203.14
5. Profit from ordinary activities before finance costs and exceptional items(3+4)	2,492.02	2,751.64	3,140.25	10,812.25	9,727.17
6. Finance cost	1.48	0.00	1.51	1.48	1.51
7. Profit from ordinary activities after finance costs but before exceptional items (5-6)	2,490.54	2,751.64	3,138.74	10,810.77	9,725.66
8. Exceptional item	51.30	0.00	0.00	51.30	0.00
9. Profit from ordinary activities before Tax (7-8)	**2,439.24**	**2,751.64**	**3,138.74**	**10,759.47**	**9,725.66**
10. Tax expense	796.96	892.83	1,040.12	3,494.08	3,226.44
11. Net Profit from ordinary activities after tax (9- 10)	1,642.28	1,858.81	2,098.62	7,265.39	6,499.22
12 Extraordinary Items (net of tax expense)	-	-	-	-	-
13. Net Profit for the period (11-12)	**1,642.28**	**1,858.81**	**2,098.62**	**7,265.39**	**6,499.22**
14. Paid-up Equity Share Capital Face value per share	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-
15. Reserves excluding revaluation reserves				24,009.89	18,818.05
16.I & II EPS for the period (Rs.)-Basic and diluted before and after extraordinary items.	4.14	4.69	5.29	18.33	16.39
	(Not Annualised)			(Annualised)	

PART II

SELECT INFORMATION FOR THE YEAR ENDED 31.03.2012

PARTICULARS	Three months ended			Year to date	
	31-03-2012	31-12-2011	31-03-2011	31-03-2012	31-03-2011
A. PARTICULARS OF SHAREHOLDING					
1. Public shareholding					
- Number of Shares	396,297,820	396,297,820	396,297,820	396,297,820	396,297,820
- Percentage of shareholding	10	10	10	10	10
2. Promoters and Promoter group shareholding					
a) Pledged/Encumbered					
- Number of Shares	0	0	0	0	0
- Percentage of shares (as a % of the total Shareholding of promoter and promoter group)	0	0	0	0	0
- Percentage of shares (as a % of the total Share capital of the company)	0	0	0	0	0
b) Non Encumbered					
- Number of Shares	3,568,418,180	3,568,418,180	3,568,418,180	3,568,418,180	3,568,418,180
- Percentage of shares (as a % of the total Shareholding of promoter and promoter group)	100	100	100	100	100
- Percentage of shares (as a % of the total Share capital of the company)	90	90	90	90	90

PARTICULARS	Three months ended 31.03.2012
B. INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	NIL
Received during the quarter	65
Disposed of during the quarter	65
Remaining unresolved at the end of the quarter	NIL

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. In crore)

PARTICULARS	Three months ended			Year ended	
	31-03-2012	31-12-2011	31-03-2011	31-03-2012	31-03-2011
1. Segment Revenue (net sale / income from each segment)					
a) Iron Ore	2,568.50	2,812.02	3,759.96	11,204.56	11,328.11
b) Other Minerals & Services	35.48	21.41	22.71	94.33	83.97
Total	2,603.98	2,833.43	3,782.67	11,298.89	11,412.08
Less: Inter segment revenue	9.40	11.25	12.92	37.00	42.77
Net sales / income from operations	**2,594.58**	**2,822.18**	**3,769.75**	**11,261.89**	**11,369.31**
2. Segment Results (profit (+) / loss (-) before tax and interest from each segment)					
a) Iron Ore	2,009.36	2,275.38	2,800.02	8,993.64	8,743.67
b) Other Minerals & Services	-39.46	-1.20	4.95	-42.15	-14.17
Total	1,969.90	2,274.18	2,804.97	8,951.49	8,729.50
Less: Interest	(1.48)	-	(1.51)	(1.48)	(1.51)
Add: Other unallocable income net off Unallocable expenditure	467.86	477.46	332.26	1,806.50	994.65
Total Profit before Tax (incl discontinued operations)	**2,439.24**	**2,751.64**	**3,138.74**	**10,759.47**	**9,725.66**
3. Capital Employed (Segment assets-Segment Liabilities)					
a) Iron Ore				2,214.12	1,725.61
b) Other Minerals & Services				78.87	128.24
c) Other reconciliation items				22,203.38	17,449.10
Total				**24,496.37**	**19,302.95**

STATEMENT OF ASSETS AND LIABILITES

(Rs. In crore)

PARTICULARS	Audited	
	Year ended 31-03-2012	Year ended 31-03-2011
A.EQUITY AND LIABILITIES		
1.Shareholders' funds		
(a) Share Capital	396.47	396.47
(b) Reserves and Surplus	24,009.89	18,818.05
Shareholders funds	**24,406.36**	**19,214.52**
2.NON-CURRENT LIABILITIES		
(a) Deferred Tax Liability (Net)	100.09	102.88
(b) Other Long term Liabilities	23.41	22.08
(c) Long – term provisios	13.45	14.92
Non-current liabilities	**136.95**	**139.88**
3 CURRENT LIABILITIES		
(a)Trade payables	165.82	187.56
(b) other current Liabilities	781.15	562.23
(c) Short term Provisions	1,158.16	993.92
Current liabilities	**2,105.13**	**1,743.71**
TOTAL – EQUITY AND LIABILITIES	**26,648.44**	**21,098.11**
B.ASSETS		
1.NON-CURRENT ASSESTS		
(a) Fixed Assets	2,682.96	1,666.95
(b) Non-current investments	247.77	135.68
(c) Long term Loans and Advances	512.43	198.89
(d) Other non-current assets	6.61	10.98
Non-Current Assets	**3,449.77**	**2,012.50**
2.CURRENT ASSETS		
(a) Inventories	458.92	415.43
(b) Trade receivables	737.02	485.40
(c) Cash and bank balances	20,264.58	17,228.06
(d) Short term Loans and Advances	1,047.64	557.19
(e) Other Current Assets	690.51	399.53
Current Assets	**23,198.67**	**19,085.61**
TOTAL-ASSETS	**26,648.44**	**21,098.11**

NOTES:

1. The Board of Directors has recommended a final dividend of Rs.2.50 per share of Re. 1/- in addition to the interim dividend of Rs.2.00 (Re.1/- paid in Nov'11 and Re.1/- paid in Feb'12) Per share of Re. 1/- for the year 2011-12.
2. The exceptional items are mainly on account of impairment of windmills in Karnataka, pending recommissioning.
3. As per the Hon'ble Supreme Court order dated 23/09/2011, the Iron Ore of Donimalai complex, Karnataka is being e-auctioned with effect from 04/10/2011 by the Monitoring Committee (MC) constituted by the CEC of the Supreme Court. Pending settlement of various issues by the Hon'ble Supreme Court, the sales have been accounted as per the normal practice.
4. Action has been initiated to sell the plant and machinery of Silica Sand Project, Lalapur and UPFO Plant , Vizag. The Net loss after tax from the discontinued operations of the above units Rs.0.16 Cr (previous year Rs.0.42 Cr) is included in the above results.
5. The figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year.
6. The above financial results have been reviewed by the Audit Committee at its meeting held on 28-May-2012 and approved by the Board of Directors at its meeting held on 28-May-2012.
7. The above financial results are subject to audit under Sec 619(4) of the Companies Act, 1956 by the Comptroller and Auditor General of India.
8. Figures for the previous year have been regrouped wherever considered necessary so as to conform to the classification of the current year.

For and on behalf of
NMDC Limited
Sd/
(C.S.VERMA)
Chairman-cum-Managing Director

Place: New Delhi
Date: 28.05.2012

NMDC Limited
(A Government of India Enterprise)
10-3-311/A, Khanij Bhavan, Castle Hills,
Masab Tank, Hyderabad - 500 028. A.P., INDIA.
website: www.nmdc.co.in

says price appreciation is assured because "the gap between demand and supply is steadily growing".

Of course, exactly how much your diamonds appreciate in value depends largely on the quality you buy. The highest-value stone is a 'D-Flawless' diamond (see *Identifying a Good Diamond*). "You seldom see it and that's why it is much more expensive," says Mark Gieljoume, a gemologist at The Diamond Works. "At auctions, people are willing to pay ridiculous prices for it." In India, a stone of this quality weighing one carat – about the size of a pea – can cost above ₹8.5 lakh.

Given the rarity of D-Flawless stones, Gieljoume advises conservative investors to look instead for diamonds in the 'G' to 'H' colour bracket, with clarity no less than Very Slight (VS) or Slight Inclusion (SI)-1. These are the so-called "investment grade" stones.

All these trade terms, abbreviations and pricing variables, no doubt, sound complicated. It is one of the reasons diamonds are still not a popular asset class. "Gold is a far easier investment to make," says Ram Jewellers' Verma. "The market rate is known. And selling a gold bar is easy because it is of a known purity." This is one reason why most Indians who buy stones on the South African diamond tours, prefer them embedded in gold.

The lack of transparent pricing is not the only problem. Virtually every single diamond sold in India is imported from South Africa, before being cut and polished in this country. That makes the rupee exchange rate a major factor in diamond pricing. "The rupee price of the better quality diamonds has gone up so we don't expect a great season," says Anoop Mehta, President of Bharat Diamond Bourse, a body set up by the Indian diamond industry to facilitate overseas trading. "It used to be ₹48,000 a carat. That is now ₹55,000 to ₹57,000 a carat." Many investors are 'downtrading': instead of buying the best quality stones, they ask the jeweller for something of a lower colour or clarity to stay within their budgets. Others have put off buying altogether. "The year 2011/12 saw a dramatic change in the prices of raw diamonds. This unusual spurt gave trading a hard time across the board, be it business to business or business to consumer," says Sen.

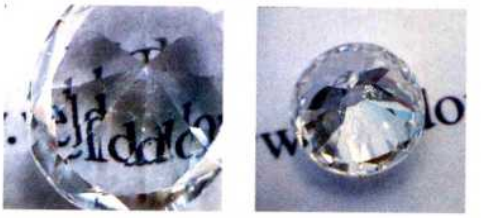
Experts, however, add that the effects are temporary. "As diamonds are purchased with the idea of long-term appreciation, currency fluctuations should not be a major factor in determining any investment decision," says Choksi. Agrees Mehta: "Any time from now to the next six months is a good time to invest, when you see a price correction."

What has helped diamonds gain wider acceptance as an asset class is the practice of certifications. This takes the guesswork out of evaluating a diamond. Experts agree that you should insist on a certificate for any stone you buy, particularly those above 0.20 carats or "20 cents". These certificates are issued by a handful of reputed certification institutes including the Diamond High Council, the International Gemological Institute, and the European Gemological Laboratories in Belgium. There is also the Gemological Institute of America in New York and London.

No doubt, diamonds have had a tumultuous past year. Demand from Europe – the single largest market for loose stones – has been low, thanks to the ongoing crisis in the euro zone. That said, gemologists and traders believe China and other emerging economies will soon pick up the slack. "Brazil, India, China and Russia are slow right now but they will pick up again," says Choksi. "So demand should also pick up as they come back." And when the demand returns, so will the value appreciation. ◆

Spot the Fake

THE FOG TEST: Breathe on the stone, as you would on a pane of glass. If the fog that forms stays for two seconds, it is probably a fake



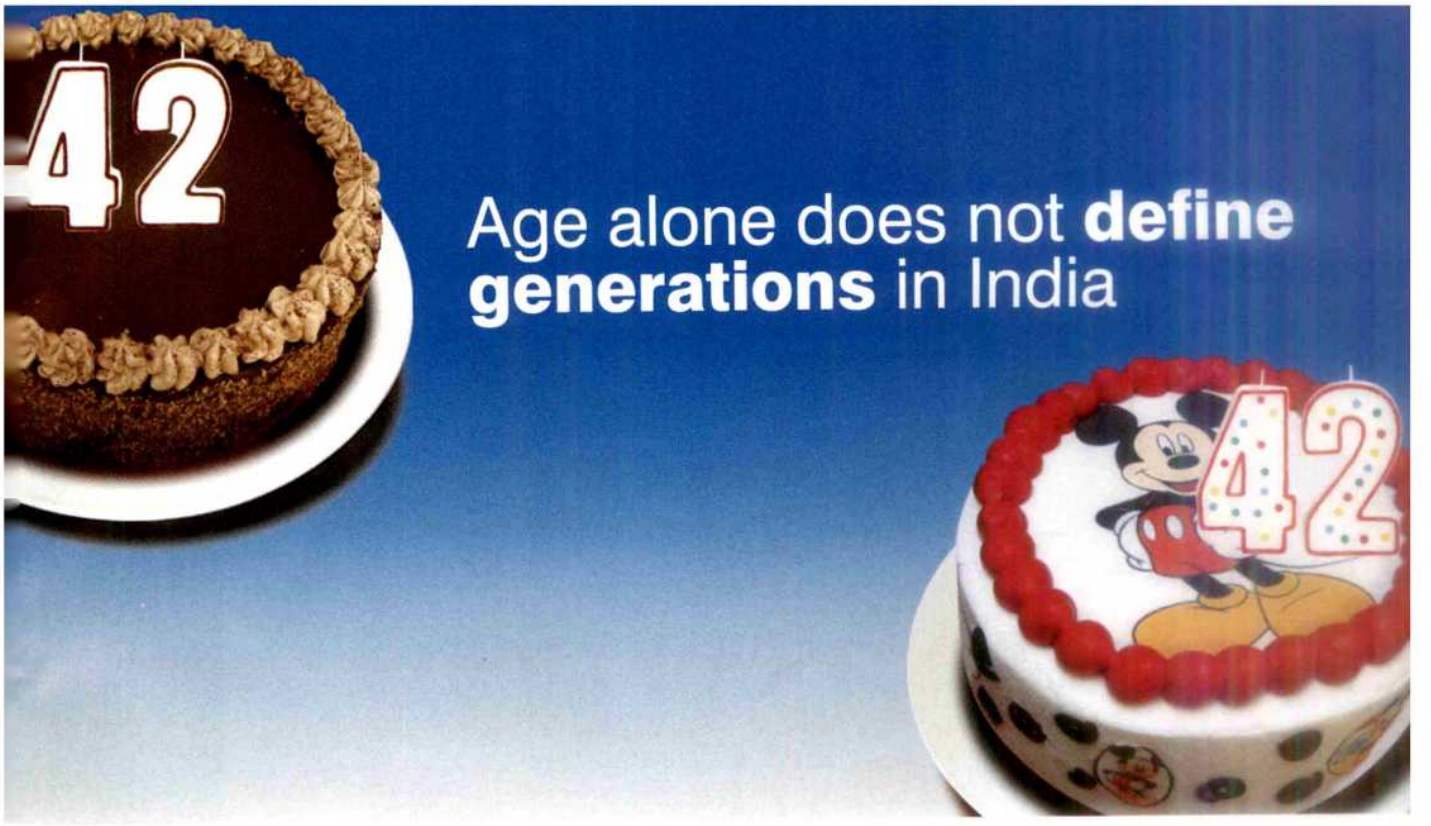
THE NEWSPAPER TEST: Place the stone over a newspaper. If you can see the newsprint through the diamond, it is either a fake or a poor cut

MOUNTED DIAMONDS: If a diamond is mounted, you should not be able to see the bottom while looking directly from the top

MOISSANITE: This is a popular diamond simulant. It sparkles in outdoor light but appears dull under incandescent bulbs

CUBIC ZIRCONS/ AMERICAN DIAMONDS: Another diamond simulant, when placed in water, it becomes virtually invisible. A real diamond stays visible due to its highly refractive properties

CERTIFICATION: When in doubt, ask for a certificate from any reputed agency such as GIA, AGSL, LGP or PGGL



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- Methodology and the variables to be considered for the main study
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Pleasure and Profit

Fine wines and whiskies do not just enrich your evenings. They can also make you rich.

By SUNNY SEN

Wearing a steel grey Canali suit, a Cartier on his wrist, a pair of Ferragamos on his feet, Sandeep Arora sits discussing whiskies with a friend at the Gurgaon Golf Club. Arora is a whisky professional, head of Spiritual Luxury Living, a whisky advisory firm; both he and his friend, a financial consultant who did not want to be named – are vintage whisky collectors. Arora mentions a bottle of Highland Park single malt Scotch he had picked up. "It's awesome, just like the Balvenie 1972 we enjoyed some time back," he says, naming another highly prized brand.

The friend responds in kind. "On my way back from Europe I picked an Ardbeg Uigeadail," he says, naming another prized single malt whisky, brewed in Scotland's southernmost island of Islay.

Such conversations are being increasingly heard as the number of whisky connoisseurs in the country – albeit, still only a handful – grow. And some of these connoisseurs have also realised that the right kind of whisky is also an excellent investment option. Ever heard of Dalmore, 1926 vintage? Between 2008 and 2011, its price rose 450 per cent to ₹4.7 lakh a bottle. Or of Macallan 1938, which saw

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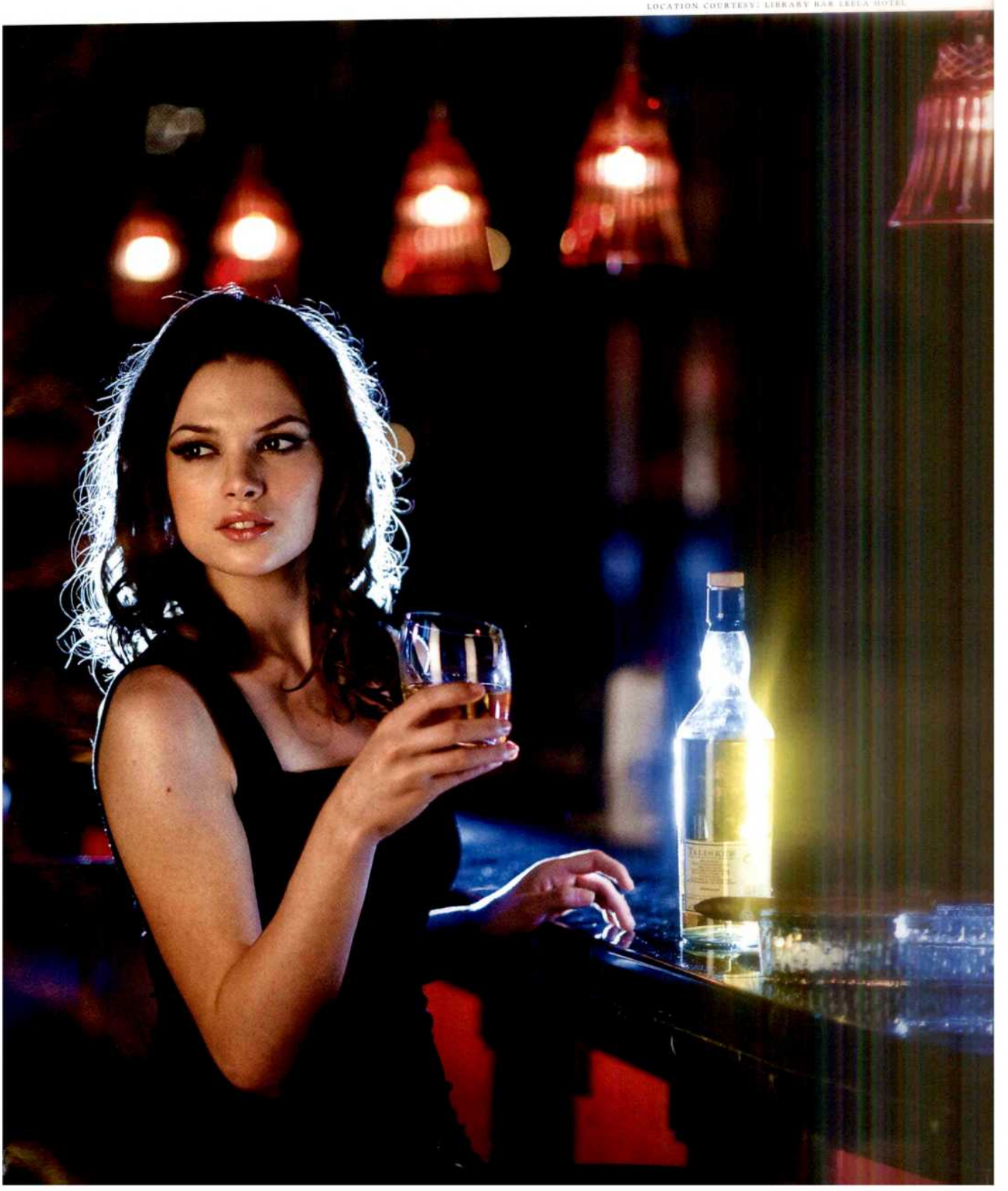

a 425 per cent price increase to ₹1.8 lakh a bottle in the same period? Or of Balvenie 1937, which is up 344 per cent to ₹10.28 lakh a bottle? The top 10 vintage whisky brands on average appreciated 402 per cent in the three years. In comparison, gold prices rose just 146 per cent.

Sandeep Arora, Director, Spiritual Luxury Living, invested in a cask of the single malt Bruichladdich in 2009, which will mature only in 2019

Nor is whisky the only spirit worth investing in. Vintage wine prices may not have seen the spectacular spikes some whiskies have lately, but they too have climbed, especially of those from France's Bordeaux region, the world's wine industry capital. The cost of a bottle of Chateau Lafite Rothschild – for years on the top 10 list of traded wines – jumped 22 per cent in 2011. The Chateau Haut-Brion's price rose 25.6 per cent and the Chateau Latour's 22.4 per cent in the same year.

The average customer picks up his Scotch from the nearest spirits' store. Investors do so too, but many do the bulk of their buying directly from breweries, distilleries or at global auctions. Scotch brewers usually sell their stock years before it matures, and the difference in price, if whisky is bought while it is still being brewed, can be considerable. Arora, for instance, invested in a cask of the single malt Bruichladdich – a cask fills 300-350 bottles – in 2009, which will mature only in 2019. "I expect its value to appreciate considerably," he says, though he refuses to discuss figures.

When he learnt of Arora's investment, his financial consultant friend too promptly followed suit. "Investing in whisky has not yet taken off in India, but it may well do so in the future," says Avishek Das, Senior General Manager, Marketing, United Spirits Ltd.

It is the brewery that is all important while investing in whiskies. Those from Ardbeg and Macallan, as well as from Glendfiddich, Port Ellen and Bowmore – all Scotland-based – are investor favourites.

Many also invest in whisky brands of breweries that have closed down, since there will only be a limited number of such bottles. Again, breweries often prepare only a limited number of certain whisky brands: these 'limited edition' bottles are also good investments. There

High on Price

SOME OF THE MOST EXPENSIVE VINTAGE WHISKIES

DALMORE 1926

2011
£5,500
2008
£1,000
APPRECIATION
450%

MACALLAN 1938

2011
£2,100
2008
£400
APPRECIATION
425%

BALVENIE 1937

2011
£12,000
2008
£2,700
APPRECIATION
344%

Note: Price per bottle Source: BT Research

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The key to investing in wine is to choose the right year. The price of some wines from the year 2000 has already appreciated 600%

is, for instance, the Dalmore 62, of which only 12 bottles were made, each one of which currently costs £1,25,000 (₹1.6 crore). The success of this brand spurred the brewer to produce Dalmore 64 Trinitas, of which – as the name indicates – there are only three bottles, each bought for £1,20,000. Curiously, while only a few living in India care about such premium brands, Indians abroad recognise their worth a lot more. Two of the three Trinitas are owned by NRIs, Sukhinder Singh and Mahesh Patel.

"Fine wines are not for people who do not understand the finer things of life," says Sonal Holland, a Mumbai-based wine investment advisor. One of those she advises is her husband, British national Andrew Holland, currently the Mumbai-based CEO of investment firm Ambit Capital. Though he knows little about wines, Andrew has begun investing in it, buying a sizeable quantity of the 2009 and 2010 vintage at his wife's urging. He is satisfied with the results. "They have given me 15 per cent returns so far," he says. But this is just the beginning. As more years go by, the value will keep jumping higher and higher. The price of some wines from the year 2000 has already risen 600 per cent. The key to investing in wine is to choose the right vintage: the quality of the grape harvest varies every year. "In the first decade of the 21st century, for instance, the best years were 2009 and 2010," says Sonal.

Unlike whiskies, fine wines have their own global exchange, the London International Vintners Exchange, or Liv-Ex, set up in 1999. The most traded brand on it is the Lafite, which currently costs around ₹80,000 a bottle while still in the barrel. "When it matures, 10 to 12 years later it will be much more expensive," says Sonal. The top 10 wine labels provided returns varying from 14 to 38 per cent returns in 2011. The best returns are obtained by investing when the vintage wine auctions are held, where prices are at their lowest.

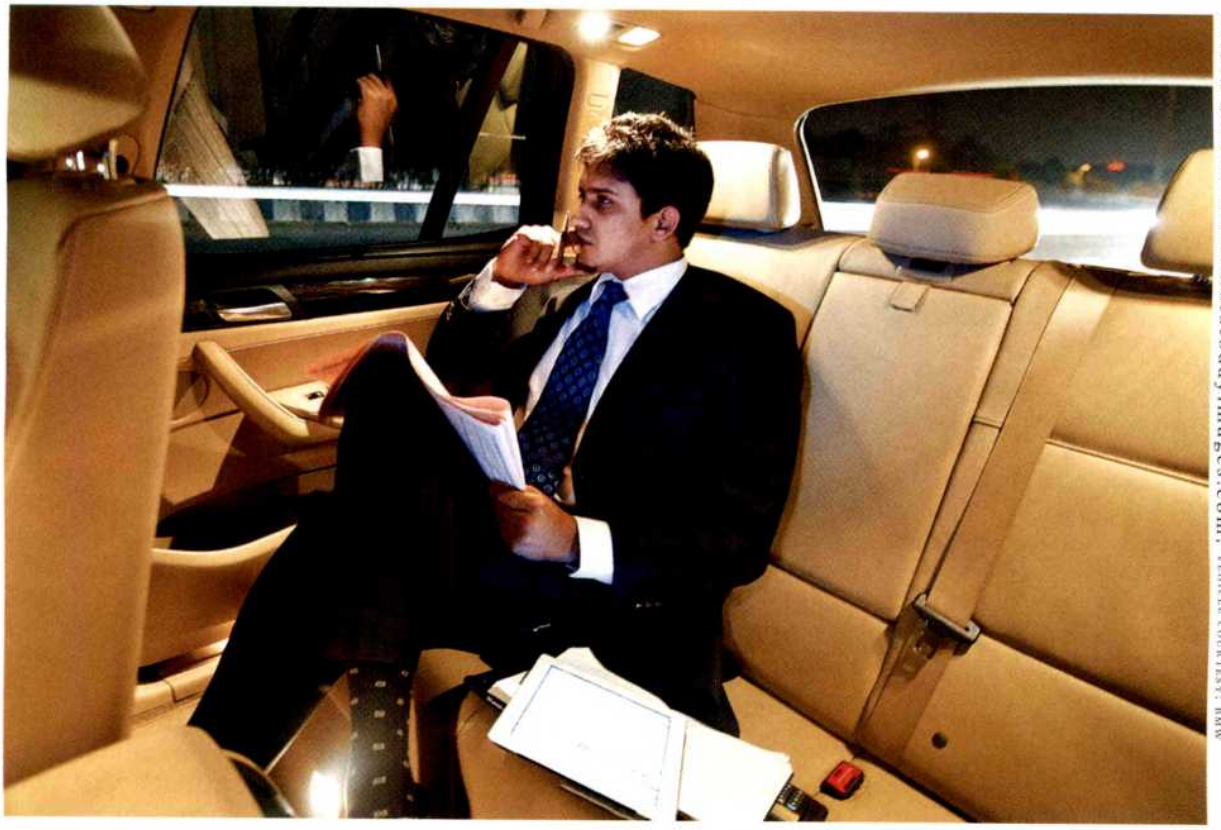
Indian investors in wine, however, face two problems. They cannot take delivery of the wine early, before it has matured, as the tropical climate prevents proper maturing. Costs naturally escalate if the distillery has to store the wine. Again, the maximum Indians are allowed to invest outside the country is $200,000 (₹1.1 crore) which imposes its own constraints. How much is a reasonable amount to put in? "A minimum investment should be around ₹10 to 15 lakh, a moderate one around ₹30 to 40 lakh and a good investment portfolio should put in more than ₹50 lakh," says Sonal. A higher investment in a range of wines enables the investor to cover his risks in case particular brands fail to do well in a particular year.

Investing in liquor is thus only for the well-heeled. And it helps if you are a connoisseur as well. Both Arora and Hollands enjoy their drinks. ◆

Top Wine Brands Performance

	%CHANGE
PETIT MOUTON (2001)	252
CARRUADES LAFITE (2001)	248
BAHANS HAUT-BRION (2004)	224
CARRUADES LAFITE (2002)	218
PETIT MOUTON (2000)	208
PETIT MOUTON (2002)	198
FLEUR PETRUS (1999)	197
BAHANS HAUT-BRION (2001)	189
BAHANS HAUT-BRION (2000)	186
BAHANS HAUT-BRION (2003)	177

All Bordeaux red wines, of case size 12x75cl
Growth is 2012 over 2008 Source: Liv-Ex



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66 Art
Land 72
Diamonds 78
Wine and Whisky 84
Stocks

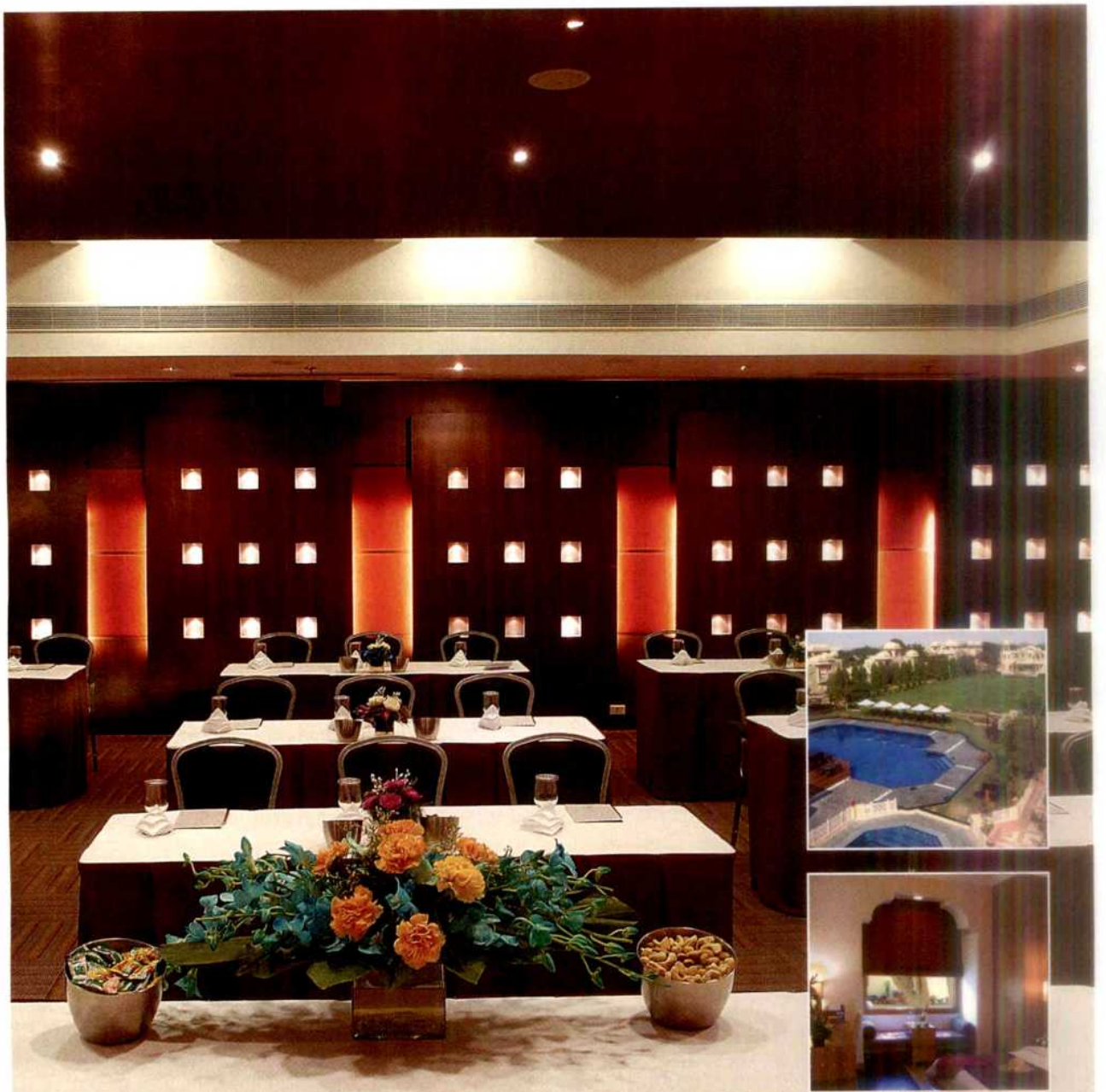
Mastering the Ride

Spotting the next Infosys is difficult, but here are some leads on sectors and companies that could sparkle in the near future.

By RAJIV BHUVA

Does an Infosys come once in a lifetime? Not necessarily, but it is a hard act to replicate. The iconic software company has seen its market capitalisation skyrocket from ₹54 crore on debut day on June 14, 1993 to ₹1,43,460 crore exactly 19 years later. We try here to spot winner-stocks but make no claims that the sectors and companies listed here will shine the way it has done.

That said, some ground rules help earn high returns. Large-cap stocks are probably better for wealth maintenance. "Wealth creation happens in the mid-caps," says Chokkalingam G., Executive Director and CIO of Centrum Wealth Management. Then, do not look at a company's price performance. "Just focus on fundamentals," says Taher Badshah, Co-Head of Equities at Motilal Oswal Asset Management Company.



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How to Invest in the Stock Market

A key tip: stay put for a long time and let the power of compounding take over. "Remember that stop-loss is for traders," says Chokkalingam. Also, look for a pattern. Chhavi Moodgal, an employee of Standard Chartered Bank and a stock-market investor, cites the case of Havells India, which has moved from an industrial appliances company to high-margin, branded play. Moodgal herself marks to market her portfolio every month. "I analyse the outlook for the sector going forward and weigh my decision to stay invested or exit in case of some significant development for the company or the sector."

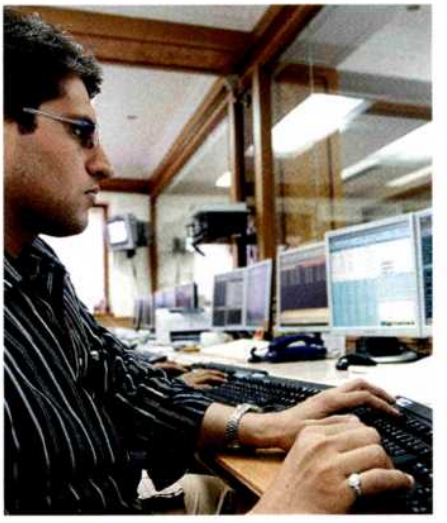
What are the signs that should prompt you to exit a stock? Moodgal says that for sectors with inherent regulatory risks, you should factor in the risk and then ring-fence yourself. Chokkalingam says if you are invested in a company that is aggressive in making acquisitions, you should be wary of the excess leverage it takes on its books.

DO NOT LOOK BACK: When investing in stocks, do not look at past performances, except for reference

DO YOUR HOMEWORK: Look for companies with business models that promise continuity and are run by a good quality management team

DO NOT LOSE SIGHT OF FUNDAMENTALS: Some sunrise sectors promise long-term returns, but changes in regulations or market environment can derail their growth

DO NOT FOLLOW THE HERD: Business, and not price, performance should be a reason to enter or exit a stock



So, where do you look for high returns? Based on our discussions with several stock market experts and observers, here are some recommendations:

Apparel: Page Industries is the exclusive licensee of Jockey, one of the world's leading premium innerwear makers, with a network of 16,000 retail outlets in 1,100 cities and towns. It is now planning to expand to more markets and launch more products.

Food & beverages: Speciality Restaurants has popular fine dining brands such as Mainland China and Oh! Calcutta. Helping it is the rise of urbanisation and a bulging middle class willing to spend on good food in a classy ambience.

Old banks: Old generation private banks like Karur Vysya and City Union Bank are good bets for the future. Regulatory easing will spur the sector, and banks such as these will be handy vehicles to pick up and turn around for new entrants, says Sunil Mishra, CEO of Karvy Private Wealth. J&K Bank, which has a near-monopoly in Jammu & Kashmir, is worth a look as well.

Big banks: Large banks, too, will grow in an economy that has a nominal growth of 15 per cent, requiring money supply of 17 to 18 per cent. If State Bank of India manages non-performing loans efficiently and grows its balance sheet by 20 per cent, it could post 25 per cent profits in the long run. And HDFC Bank, with exceptional operating results, could expand its market share of 2.5 per cent.

Automobiles: Eicher Motors's cult "Bullet" motorcycles continue to thrive, despite the entry of super competition. The Bullet has a waiting list of a year or more for delivery. The company is adding capacity to meet demand.

Consumer discretionary: United Spirits's sales volume is 10 times its next peer and it has 15 per cent operating margin. While high debt of the group is a concern, the industry has the potential to grow its sales volume by 10 to 12 per cent on an annual basis.

FMCG: One of India's fastest-growing fast-moving consumer goods (FMCG) companies, Emami has gross margins of 59 to 65 per cent over the past four years, and is present in under-penetrated categories with limited competition from multinational corporation. It is expanding its distribution and rural reach, and plans to launch two to three products every year.

Besides, a handful of other sectors are likely to see surging demand in coming years. These include education, especially school companies in Tier-II cities; and allied infrastructure, which caters to pockets of the larger sector and is likely to grow faster. Also, India's growing population and inadequate health-care facilities mean health-care companies look good, though Karvy Private Wealth's Mishra does not see affordable health care's chances to win in the longer run.

Obviously, this is not an exhaustive list. And there is no saying whether the stocks listed will fly or crash. So, remember the ground rules mentioned earlier.

There is always an Infosys lurking around the corner; it is discipline that will help you spot it. ◆

RIICO : THE INDUSTRIAL CATALYST

Modern India's Emerging Citadel

Apart from being one of the most exotic tourist destinations in this part of the world, Rajasthan's potential as one of the choicest investment destinations of the country is also steadily growing. With a welcoming political set-up, a responsive administration and a strife-free industrial climate, it has set the pace for some incredible economic and industrial growth.

An ancient land once known for its exceptionally valorous and talented people, as well as it majestic forts and palaces, Rajasthan today is also an emerging industrial citadel of modern India. The pace of change in this state has been so swift and robust in the past few years that it has become a toast of top manufacturing and service sector companies from within and outside the country.

One institution that has undoubtedly changed how Rajasthan does business and how investors perceive the state as an investment destination is the Rajasthan State Industrial Development and Investment Corporation Ltd. (RIICO). Set up on March 28, 1969, RIICO has fast emerged as a catalyst for industrial development in the state, spearheading the process of change.

A CLEAR VISION AT THE TOP HAS HELPED IMMENSELY

"Our topmost priority is to provide growth and job opportunities for 6.86 crore people of the state," says Chief Minister Ashok Gehlot. "We have therefore designed and implemented the Rajasthan Industrial & Investment Promotion Policy (RIIPP) 2010 with three specific objectives in mind: To catalyse investments, to accelerate inclusive economic growth and to generate large-scale employment."

The new investment climate in the state is nowhere more visible than in the launch of many new and path-breaking initiatives, starting with the Single Window Clearance System. In one go, this system has done away with all unnecessary bureaucratic controls over approvals, while also assuring speedy clearances to projects in an accountable and transparent way. To communicate the urgency and importance of this ground-breaking initiative down the line, and to give it legal teeth, it was decided to enact it into a law, namely, the Rajasthan Enterprises Single Window Enabling and Clearance Act, 2011.

"The honorable Chief Minister wanted an industrial policy which was totally transparent and backed by a statutory mechanism that held concerned officials accountable for delays in project clearances," explains Industry Minister Rajendra Pareek. "This has gone a long way in assuring investors that Rajasthan is their friend and wants the process to be hassle free for them," the minister elaborates.

The success of this effort can be gauged from the fact that in the short span of one year that this system has been in existence, the committee, which meets every three months, has already processed applications for projects worth over a whopping Rs. 70,000 crore.

So, today you will see the citadels of yore to which tourists have been flocking for decades co-existing with those of the modern age. In far flung areas – whether it is the deserts of western Rajasthan, where solar parks of enormous dimensions are

"Our topmost priority is to provide growth and job opportunities for 6.86 crore people of the state"

ASHOK GEHLOT
Chief Minister, Rajasthan

A textile weaving project in Bhilwara Industrial Area.

At work in the Honda Siel Project in Bhiwadi IA.

coming up, or exotic Neemrana in the northern part of the state, which houses a unique Japanese Manufacturing Zone – one can see the traditional bastions giving way gracefully to citadels of a modern State.

"This change which you are seeing has come about with a lot of thought and planning as to how to become people-friendly so that our brothers and sisters accept industrialisation with open arms," says RIICO Managing Director Rajendra Bhanawat. "In other states we have seen that often people do not part with their land for setting up of industries. Even if they do, the process is prone to litigation, which can delay setting up of projects for years. But at RIICO we came up with a policy because of which farmers are giving up their land voluntarily for industrialisation. It has been accepted by the people."

RIICO's land acquisition policy is based on ensuring fair compensation to farmers. The compensation offered by RIICO for land is much higher than the market rates. There is also an institutional mechanism in place with senior officers co-opted as members of a committee to decide the rates. Accordingly, for both the buyer and the seller, the process is hassle-free and transparent.

One of RIICO's mandates is to provide state-of-the-art infrastructure to potential and existing investors. Another is to provide financial services to assist entrepreneurs set up their units. It is making significant progress on both fronts. In the past few years, it has considerably accelerated the pace of acquiring land for creating and sprucing up high-quality infrastructure in the industrial areas. As a result, 323 industrial areas were established across the state by March 31, 2012. These parks are home to some of the biggest corporations of the world.

SOME NOTEWORTHY PROJECTS INCLUDE

- **French major Saint Gobain's float glass venture at Alwar with an investment of Rs. 1,000 crore, slated to be the largest in the world.**
- **Japanese major Honda's car project worth Rs. 2,000 crore, spread over 610 acres of land at Bhiwadi Industrial Area, along with a host of ancillary units. This is expected to create some 4,000 jobs.**
- **A second plant of Honda Motorcycle and Scooter India at the Tapukara Industrial Area.**
- **The World City of Mahindra spread over 750 acres in Jaipur that has attracted big names like Infosys, Deutsche Bank, EXL Services and Nucleus Software.**
- **Three Special Economic Zones: Two at Sitapura in Jaipur – for the gems and jewellery industry, particularly diamond, kundan and meenakari work, for which Rajasthan is justly famous the world over – and the third at Jodhpur for handicraft, another area the state excels in. These three zones contribute over Rs. 750 crore in exports.**
- **RIICO has also now acquired land for central PSUs CONCOR and KRIL for setting up logistic parks and an inland container depot at Khathuwas near Neemrana and Bedabanki near Hindaun. This is likely to facilitate cargo and raw material handling near prominent industrial hubs.**

JAPANESE MANUFACTURING ZONE, NEEMRANA

It's the first such zone in the country, where some of the best-known Japanese companies – from Nissin and Mitsui to Daikin and Mitsubishi – have invested. A total of 382.51 acres of land has been allotted to 36 units at Neemrana. The zone is being extended by another 500 acres in Ghilot, near Neemrana.

The Who's Who of the Indian and global corporate world have a presence here. The list includes Metso India, South Asia Breweries, Tata Bluescop Steel, Kaparo Fastners, Genpact, Texa India and Lafarge India. This apart, many top companies have also invested in the state's industrial areas: From Rosenberg at Khushkhera to UB Group at Chaupanki, from Infosys at Sitapura to Havell's India at Neemrana, from Shree Cements at Khushkhera to EID Parry at Alwar.

PROMOTING KNOWLEDGE-BASED ENTERPRISES

Given the fact that information technology is one of the thrust areas, the state government and RIICO have taken initiatives to promote and develop this sector. The requisite infrastructure is being developed through IT parks, earth stations and optical fibre networks for communications and institutional tie-ups for skilled and trained manpower. IT parks have been developed at Sitapura, Jodhpur, Udaipur and Kota.

Companies not only get the necessary physical infrastructure and access to a high-speed data and telecom network, they also get to choose from a long list of exemptions and incentives, ranging from rebate on land and exemption from duties, to subsidy on employment. As a result, many small players have set up units in the state. This is in addition to the strong presence of the big established names of the IT industry like e-Genpact, Infosys, Nucleus Software, Teleperformance, Compucom, EXL Services, Pratham Softwares, Metacube, VGL Softwares, Cyberfuturistics and Back Office Solutions. The aim is to double software exports from the state over the next two-three years.

FOCUS ON APPAREL

Under the Integrated Skills Development Scheme of the Central government's Ministry of Textiles, 10 SMART (Skill for Manufacturing Apparel through Research and Training) centres are being established by the Apparel Training and Design Centre in state hubs like Bhiwadi, Bhilwara, Pali and Balotra. The centres will provide training to youth, women and the disadvantaged sections and thus create a pool of skilled workers for the sector.

Four new textile parks are also being set up in Rajasthan under the Integrated Textile Parks Scheme of the Government of India.

RIICO is now all set to organise 'Vastra 2012', an International Textile and Apparel Fair, in association with the Federation of Indian Chambers of Commerce and Industry in Jaipur from November 22 to November 25, 2012.

THRUST ON TERM LENDING

Rajasthan inherited a meager industrial base at the time of Independence. In the absence of a large base, RIICO had been providing term loans for traditional sectors of the state economy like marble, oil seed processing, mini cement, textiles, etc. The corporation has made concerted efforts to diversify its portfolio over the last two years. Consequently, term lending has picked up in diverse sectors such as renewable energy, services, steel and aluminum, health care,

RIICO
The Industrial Catalyst

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automobile, real estate, chemicals and plastics, IT sector, etc., registering a significant overall growth.

The Indian power sector is witnessing a revolution as the nation is gearing up to harness electricity from various renewable sources of energy. Electricity generation from renewable sources is increasingly being recognised as important for the achievement of a variety of primary and secondary energy policy goals, such as improved diversity and security of energy supply, reduction of local pollutants and global greenhouse gas emissions, regional and rural development and exploitation of opportunities for fostering social cohesion, value addition and employment generation at the local and regional level. India is striving to become the world's next clean energy "hotspot" as it plans to meet its substantial future energy from renewable sources. These include wind, solar and bio-mass.

As part of its commitment to the cause of promoting renewable energy, RIICO has lent nearly Rs. 100 crore over the last two years to all the three segments of the renewable energy sector, i.e., Solar, Wind and Biomass.

DELHI MUMBAI INDUSTRIAL CORRIDOR

Almost 40 percent of the Delhi-Mumbai Industrial corridor falls within the districts of Jaipur, Alwar, Kota and Bhilwara in Rajasthan. The DMIC will provide high-quality environment with state-of-the-art infrastructure to new investors. This includes creation of a new integrated township with a knowledge city in the Khushkheda-Bhiwadi-Neemrana belt and a greenfield international airport for passengers and cargo with an integrated logistics and warehousing hub.

Work on this ambitious project has commenced with RIICO having initiated the process for acquisition of 1,506 hectares of land in Alwar district. It promises to yet again change the way the world perceives Rajasthan.

THE HUMAN FACE

RIICO's concern for equitable development goes beyond policy pronouncements. The organisation has been vigorously pursuing implementation of various schemes that ensure balanced regional development and optimal skill upgradation for the people of the state.

Accordingly, schemes have been formulated under which investors could avail of concessions if they commence production in the units set up in industrially-backward regions of Karauli, Sawaimadhopur, Dholpur, Baran, Pratapgarh, Banswara and Sirohi.

RIICO is also focusing in a big way on skill upgradation and has earmarked financial support in 2012-13 to the tune of Rs. 15 crore for this in line with the emerging industrial needs in the state. Special preference will be given in the disbursal of these funds to the training of members of families whose land has been acquired by RIICO. RIICO has also made a provision to provide land on long-term lease in its industrial areas for setting up skill development institutions.

SIMPLIFIED LAND RULES

Appreciating the tourism potential of the state, RIICO has granted industry status to the hotels and hospitality sector. The industrial plots in RIICO areas can now be utilised for setting-up hotels without paying any charges for change of land use.

Provisions of the rule 3(w), which allows preferential allotment to certain categories of the applicants on an ongoing basis, were earlier applicable only to the industrial land allotments in NCR and Jaipur district. Now these provisions have been made applicable to all the industrial areas, irrespective of their location.

For providing low-cost housing facilities to labourers and other people working in the industrial areas, a provision has been made to allot land for the construction of multi-storied residential compounds. Accordingly, sanction has been granted for the construction of 2,500 flats at Neemrana, out of which 1,500 are ready.

Special concessions are also being given to women and physically handicapped persons seeking to set up industries in the state. In unsaturated industrial areas, a concession of 25 percent in both land development rates (in plot sizes of up to 2,000 sq. mts) and allotment rates has been made for women candidates. For physically challenged persons, the concession is 50 per cent. In addition, 1 per cent of the plots have been reserved for them in unsaturated industrial areas.

THE ROAD AHEAD

Rajasthan is a land of rich and varied natural resources, excellent infrastructure, ample electricity and skilled manpower. The past few years has seen it marry these manifold advantages with strong leadership at the top and an enabling policy framework. As a result, Rajasthan is making its mark on the global map as an important destination for those looking to invest in emerging markets. As the nodal agency for infrastructure development in the state, RIICO has been at the forefront of this change.

The new initiatives are bearing fruit – bringing jobs, growth and prosperity to the people of Rajasthan. With approved investment projects worth over Rs. 70,000 crore in the pipeline, and many more that number on the drawing board, the state is buzzing with a new sense of energy, enterprise and dynamism. For an investor, the bottomline is clear: Put your money to work in Rajasthan. It could be the most rewarding decision of your life.

A view of Electric motor and CFL manufacturing unit, Havells at Neemrana.

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IN TALK WITH

RAJENDRA PAREEK

Minister of Industries & Mines, Government of Rajasthan

With excellent infrastructure, some 323 industrial parks and a host of special zones and clusters, Rajasthan is well on its way to becoming one of India's major industrial hubs. Backed by a transparent, fast and hassle-free institutional mechanism for decision-making, such as a Single Window Clearance System, the state is fast emerging as one of the best destinations for investments, says Rajendra Pareek, Minister for Industries & Mines, Government of Rajasthan. Rajasthan welcomes investors, both from within and outside India, to become a part of its progress, says he in an interview. Excerpts:

■ What is your approach to promoting Rajasthan as an investment destination?

Our approach is simple – to let our work do our talking. You can see that quietly, but steadily, we have built up quite a brand name for ourselves with some of the top companies of the world having already invested here. And they have become our brand ambassadors in turn, because the world is watching who is investing where. Let me give you an example. The Japanese Manufacturing Zone is a success story that is known the world over. Recently, on a visit to Italy, I was asked by members of industry there whether we would offer a "Italian Zone" to them. I was pleasantly surprised. Then there are so many other manufacturing and service industry companies that have chosen Rajasthan.

Of course, we have put in the required enabling structures to make projects viable. Our Hon'ble Chief Minister Shri Ashok Gehlot is very proactive in promoting the state and it percolates down to each and every department.

■ What does Rajasthan have to offer to investors?

The first thing about our approach is that we don't take investors or investments for granted. We know only too well that we live in a globalised world where investors are spoilt for choice when it comes to deciding where to put their money to work. Yes, Rajasthan has its own strengths, many of them quite unique. But that is not enough. So, our investment policies and initiatives must be designed to give us an extra competitive edge vis-à-vis others.

That is why we have invested so much care and thought into improving our policy framework. Take the case of our unique Single Window System. For us, it wasn't simply enough to have a system like that in place. We wanted to give it legislative teeth for maximum effectivenes and compliance. As a result, we enacted our Single Window System into an act of law.

What makes our task easier is the fact that these policy changes are backed by the many significant advantages that Rajasthan naturally possesses. For instance, we have a large pool of trained, English-speaking professionals. Over 50,000 engineers graduate from the 122 or so engineering colleges in the state every year. Rajasthan is perhaps the most peaceful of all large states in India and offers a virtually strife-free industrial relations environment. We are one of the few states in the country that is not power deficient, if not power surplus. Finally, the cities of Rajasthan, starting with the state capital Jaipur, provide a congenial and welcoming environment for people from outside to come and work. The hospitality of our people is legendary and our social infrastructure second to none.

■ What is the status of industrialisation in Rajasthan?

Rajasthan is perhaps one of the unsung success stories of the past few years. Quietly, and almost without anyone really noticing it, we have built a huge industrial infrastructure across the state. Today, at RIICO, we are managing, in a very professional way, 323 industrial areas. Almost all the world's top companies today have a presence in Rajasthan. What's more, this presence is not limited to any particular sector. Manufacturing, services, information technology, solar, wind and biomass power generation, exploration, textiles – you name it. Lafarge, Saint Gobain, Infosys, Deutsche Bank, Daikin, Mitsubishi, Mahindra & Mahindra... Our auto zone in Bhiwadi will soon have a full-fledged assembly line for Honda cars. These examples can, of course, be multiplied. And things will only get better in the years to come. The proposed Delhi-Mumbai Industrial Corridor will act as another booster dose for industrial development. This project alone will attract billions of dollars worth of investment into the state.

■ Apart from the companies investing in Rajasthan, what kind of industries would you like to attract?

Today, we have the infrastructure to accommodate almost any kind of industry. At the same time, we realise that the needs and requirements of industry do vary from one sector to another. To address these specific demands, we are implementing a sectoral approach. This ensures development of industries in parks and zones – like we have for food processing, gems and jewellery, handicrafts, leather and biotechnology. We are also focusing on financial services. The people of Rajasthan have a natural aptitude for this sector. We have a large pool of trained chartered accountants who can help us become a financial hub. The information technology and related outsourcing industry are also developing rapidly. You will be surprised to note that north India's largest integrated IT Park – the Mahindra World City – is actually located in Jaipur, spread across nearly 3,000 acres!

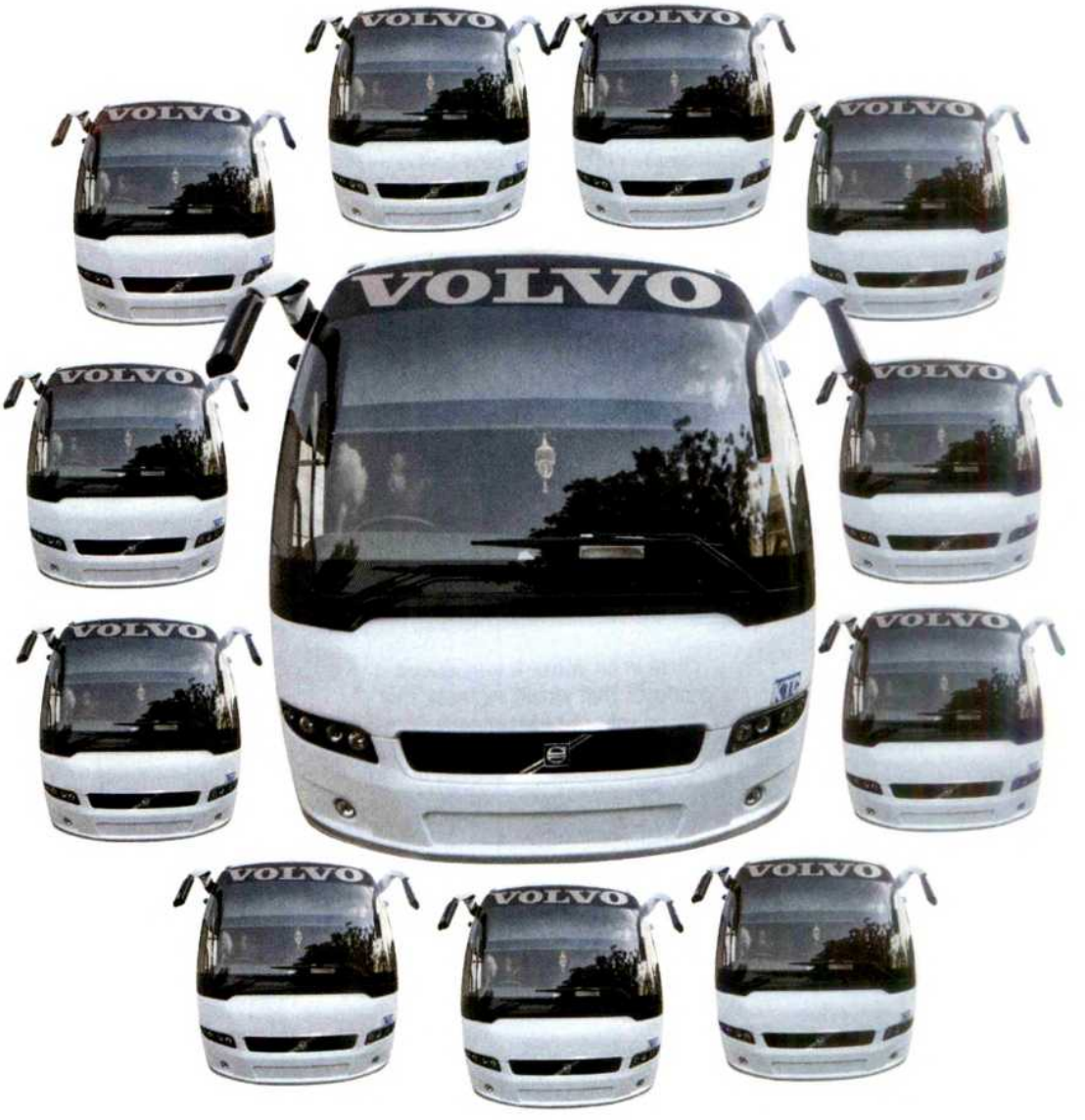
■ What message do you have for potential investors in the state?

My message for potential investors is the same as what our chief minister shared with the global Indian community at the recent annual Pravasi Bhartiya conference, held in Jaipur: Come, visit our state, enjoy our hospitality and see for yourselves the kind of progress we have made, be it in infrastructure or in the institutional support we provide. Compare what we have on offer here with what is being provided elsewhere and see the difference for yourselves. Experience the simplicity and power of our Single Window System of clearances for addressing all investment issues under one roof – from land acquisition to regulatory and statutory clearances. Our administration is responsive, our decision-making process is transparent and our officers at every level are cooperative and accountable.

Going Places

Executive Summary: *In 2001, Volvo Buses India sold 20 coaches. By December 2011, 5,000 of them were running on Indian roads. Volvo did not achieve this by toning down its products or cutting prices as multinational companies often do. It developed the market and waited for it to mature. Volvo now has 76 per cent of the Indian luxury bus market. The company changed the way Indians travel. Now, as the competition closes in, it is preparing to launch products that could transform the market – again.*

By GEETANJALI SHUKLA



THE ROAD TO SUCCESS

CHANGE STRATEGY
Volvo brought in its inter-city bus when it saw the market was not ready for a city bus

SELL THE CONCEPT, NOT JUST THE PRODUCT
Volvo engaged with all stakeholders – from operators to passengers to drivers – to sell its buses

USE MACRO CHANGES TO YOUR ADVANTAGE
When Volvo saw that increasing congestion and growing environmental awareness were making public transport attractive, it brought back the city bus

CHANGE THE GAME
When the competition started to close in on Volvo, it introduced products that would increase the number of passengers

A decade ago, buses were more or less a by-product of trucks. They were built on truck chassis. Body builders bought chassis primarily from Telco (now Tata Motors) and Ashok Leyland. The difference between city and inter-city buses, or regular and 'deluxe' ones, was reclining seats and a stylish paint job.

That is how things were when Volvo Buses entered India. The Swedish company bid for a tender by the Delhi Transport Corporation (DTC) in 1998 while showcasing its B10LE low-entry city bus in several cities. The bus drew much interest. Akash Passey, Senior Vice President-region international, Volvo Bus Corporation, who headed India operations then, says many people came to see it at the 1998 Delhi Auto Expo. He laughs, recalling an animated discussion between two youngsters he overheard. "The older of the two, in an attempt to explain how the bus loses height, said: 'When it halts, the driver jumps out and deflates the tyres'," he says.

The coach prompted more weighty concerns too: were India's roads and travellers ready for rear-engine buses? What about prices? Volvo city buses cost up to 10 times more than those used by state transport corporations. Meanwhile, the DTC tender was shelved.

Selling to state companies was proving tough, so in 2000, Passey changed tack. He imported two Volvo B7R inter-city buses from Hong Kong and Singapore, and sent them out on a six-month demonstration drive. The B7R cost five times more than a 'deluxe' bus. But he persevered. "I felt there was little reason why an air-conditioned bus would not work in a tropical country like India," he says. The changing economic landscape strengthened his resolve. The company approached private operators who ran inter-city 'deluxe' buses and could price tickets higher.

Volvo refused to compromise on product specifications. Passey points out that inter-city buses are 12 metres long everywhere in the world. But in India, bus length was capped at 11 metres. "We got the regulation changed," says Passey. It was a good thing Volvo had a wide range of products. "All I had to do was choose the one best suited for India," he adds. "I did not choose the most sophisticated, because operators were used to front-engine buses, very little suspension and ordinary brakes."

To persuade operators that Volvos were profitable, the sales team drew up a lifecycle cost comparison. Volvos had a few more seats than others – a disadvantage in the early 2000s, when states taxed operators per seat. But the biggest advantage was that they could run for 22 hours without maintenance.

Operators were concerned whether Volvo would provide maintenance centres every 25 km, as was

the usual practice. Passey says: "We told them you don't need that with a Volvo. We'll give you one every 400 km." Volvo also departed from the norm by offering service support for the entire bus, and not just individual parts. With maintenance hassles reduced, operators could focus on routes. For example, Mumbai-based Neeta Tours and Travels, which had 20 Volvos in 2004, figured it could serve seven destinations. A bus could leave Ahmedabad at 10 p.m., reach Mumbai at 6 a.m., then go to Pune and back, and then head back to Ahmedabad at 10 p.m.

Operators could also focus on sprucing up service with hot towels and entertainment. This also meant they could raise ticket prices by as much as ₹100 on some routes. Phanindra Sama, founder and CEO of redBus, a portal that sells bus tickets, says, "The Volvo phenom-

Volvo departed from the industry norm by offering service support for the entire bus, and not just parts

enon coincided with higher per capita income, more awareness about luxury, and increasing migration to cities from Tier-II and Tier-III towns."

As Volvos could run farther than buses used till then, routes such as the 1,000-km Bangalore-Mumbai run became popular. Being faster, they could depart later than a deluxe coach, yet arrive at the same time.

In 2001 – within a year of demonstrating the inter-city coach – Volvo sold 20 of them in India. That figure reached 1,100 in 2006, and 5,000 by December 2011. Volvo

THINK BEYOND BUSES

Local manufacturers did not upgrade bus technology almost until 2004, because there was no demand for a better product. Given this environment, Volvo's strategy of bringing state-of-the-art products and creating a market for long-distance luxury travel has been commendable. Higher disposable incomes and other changes in the economic landscape have certainly contributed to the success of inter-city travel driven by Volvo. But it was also because local manufacturers could not create this market successfully.

Urban public transport remains a challenge because it requires not just state-of-the-art buses, but also state-of-the-art roads designed for public transport. This means creating central lanes for buses, stops for level boarding, passenger information systems, and making streets safe for pedestrians (because every public transport user is a pedestrian at the beginning and end of the journey). Also, money cannot be recovered from fares alone. There is need for thought on financing public transport systems.

To fare better in the urban transport market, Volvo should offer a systemic solution, not just buses. It could form a consortium of planners, operators, and IT service providers and offer comprehensive solutions supported by local or state governments.

As the urban population is going to double in 25 years – about 600 million people by 2040 – the urban transport market will grow and could attract more investment. Growing environmental concerns and easy availability of information technology will fuel this growth. So demand for good quality buses will grow. Most Indian cities will not be able to meet mobility demand without state-of-the-art bus transport. The country requires about 5,000 more buses a year. It is up to the government and the mobility service providers, and not just vehicle manufacturers, to create a financially viable market.

"To fare better in the transport market, Volvo should offer a systemic solution"

GEETAM TIWARI,
Ministry of Urban Development
Chair Professor of Transport Planning, IIT Delhi

FILLING IN THE QUALITY VOID

The bus industry in India started with a focus on public transport, especially to cater to the common man. There were quality issues, but no one really cared. Things began to change with liberalisation, as more people began to move from the middle class to the upper middle class and above. They sought better quality travel. You needed to book months in advance for trains, and air travel did not suit them. They were willing to pay a premium for bus transport, but no such service was available barring a few air-conditioned buses.

Volvo was first to spot this opportunity. It firmly believed there was a market for luxury bus transport in India, for which commuters would pay a premium. Volvo's success lies in converting this belief into a value proposition. Its buses were many times costlier, and the operators needed to charge higher fares to make money. A comfortable journey that reduces travel time by a few hours was what Volvo bus operators offered to justify the premium fares, and people bought into it. The rest is history.

What Volvo has demonstrated is that though Indians are traditionally cost conscious, there is a growing crop of customers who demand quality. As road infrastructure improves and people get richer, the luxury bus segment, especially for inter-city travel, will grow faster and larger. We are far away from a bullet train era, and the poor state of the railways would only catalyse this shift.

Volvo's success has triggered the entry of more players into the luxury segment. The Swedish company is best placed to take advantage of this transformation, as luxury bus travel in the country has become synonymous with Volvo.

"Volvo's success lies in converting its belief that there was a market for luxury travel in India into a value proposition"

ABDUL MAJEED,
Partner and Leader – Automotive, PwC

now has 76 per cent of the luxury bus market. The market itself, according to industry estimates, is growing at around 10 per cent a year.

Volvo expanded gradually, starting with South and West India. It was not until 2004 that it had a country-wide presence. "It was of utmost importance to us to have service leading sales and not the other way round," says Passey.

Volvo also reached out to not only operators, but also other stakeholders. It ran commercials in film theatres. Before launching the B7R in 2001, it sought driver and passenger feedback. "We realised we wouldn't sell much if we sold merely the product," says Passey. "We had to sell the concept of luxury bus travel." Eventually, state bus companies not only bought Volvos but also built brands around them: Garuda in Andhra Pradesh, Shivneri in Maharashtra, Airawat in Karnataka.

Volvo stuck to its product specifications. It got India to change a regulation that capped bus length at 11 metres

The development of expressways such as the Mumbai-Pune one helped things along. Volvo became a ticket brand – something no other commercial vehicle has achieved anywhere in the world – as passengers asked for Volvo tickets, rather than an operator or a route.

As with the inter-city coach, the success of the city bus was gradual.

In January 2006, Volvo sold its first city bus to the Bangalore Metropolitan Transport Corporation. Under the Jawaharlal Nehru National Urban Renewal Mission, Volvos now ply in 13 cities.

The company is again looking to change the market, especially with rivals such as Mercedes-Benz and Tata Motors tail-gating it. Its 14.5-m inter-city bus is the longest in India, with more space for passengers and luggage. Its 14.5-m multi-axle city bus is being pitched as a solution for urban traffic congestion. With the 9,100 medium-haul bus (for distances of 300 to 400 km), Volvo hopes to make second-tier city connections viable, as traffic is set to grow in this segment.

Volvo hopes to make second-tier city connections viable, as traffic is set to grow in this segment

This move – changing the market when the competition closes in – is possible because of a previous strategic step. In 2008, Volvo started manufacturing buses near Bangalore. It makes 1,100 buses a year, and hopes to raise production to 2,500 by 2013/14. Sama of redBus says: "The fact that Volvo manufactures its own buses works to its advantage. Mercedes still depends on its body maker, Sutlej."

Would any other bus company, had it entered India in 2001, have done as well as Volvo? Perhaps, if its product range was comparable, and if it were patient enough to develop the market. After all, one of the crucial factors in Volvo's success in India is that it has invested in changing the circumstances. ◆

What lessons can be drawn from Volvo's success? Write to us at btcasestudies@intoday.com. Your views will be published in our online edition, and the best comment will win a Harvard Business School Press pocket mentor. Previous case studies are at www.businesstoday.in/casestudy

BEST OF THE LOT

BT **receives scores of responses to its case studies. Below is the best one on Bacardi India (April 29, 2012)**

In 2007, Bacardi India was struggling in India, when its new CEO Mahesh Madhavan joined the organisation. In less than five years, he transformed the company. Its turnover has tripled and it is growing 40 per cent annually. The case study examined how Madhavan brought in the change.

Rakesh Ranjan (rakesh.ranjan@vodafone.com) wrote:

Bacardi India was losing market share and the confidence level of its investors in India was dipping before 2007. No evidence of leadership and firmness in improving the business was seen during this period. In such a situation, good resources tend to leave the organisation and incompetent people continue to stick around. As a result, attrition of top performers was high and the organisation was left with uncertainty.

Mahesh Madhavan joining the company was a perfect example of a business head taking ownership of the HR agenda. The success story of any organisation depends on how HR becomes your SPOC (single point of contact). Calibration of performance and potential of the leadership team is essential to drive the culture of performance in an organisation. Mapping of the existing leadership team against the desirable performance and potential parameters and hiring of a new team on the basis of required competencies were the important steps in curing the organisation and also making it 'future fit'. Organisational support to the existing team was ensured by holding coaching sessions and thereby gaining the trust of the people. Reconstructing the organisation was the need of the hour to make it effective. The new structure was future driven. Infusing new talent has given the organisation a new perspective. After making these efforts, Bacardi India started becoming a grooming ground for global talent and gradually regained investors' trust. Some leaders moved overseas to handle bigger responsibilities. Marrying the business agenda to the people agenda was the key to success for Bacardi India.

Rakesh Ranjan wins a Harvard Business School Press pocket mentor for his views

CHAMPION CAREGIVERS

Aaj Tak honours companies which excelled at corporate social responsibility activities.

By ANAND J.

PHOTOGRAPHS BY REUBEN SINGH/INDIATODAY

Winners all: India Today Group CEO Ashish Bagga (extreme left), India Today Group Editor-in-Chief Kumar (11th from left), United Group of Institutions Vice Chairman Satpal Gulati (13th from left), representatives from the winning corporate houses

ROLL OF HONOUR

The winners in each category

EDUCATION	ENVIRONMENT	HEALTH CARE	EMPOWERMENT	LIVELIHOOD
Amway India Enterprises	Suzlon Energy	Eli Lilly and Co.	Gitanjali Gems	Bharat Petroleum Corp.
PVR	ONGC	JK Lakshmi Cement	Microsoft Corp.	Firstsource Solutions
	Dabur India	Standard Chartered Bank		

Microsoft's corporate social responsibility activities in India predate the philanthropic activities of founder Bill Gates as part of the Gates Foundation," said Manju Dhasmana, Community Affairs Manager at Microsoft India, while attending the Aaj Tak Care awards function on June 6. On this day, leading Hindi television news channel Aaj Tak, part of the TV Today network, honoured corporate houses, which had contributed the most to inclusive development by engaging in CSR-related programmes and activities, at a glittering ceremony at Delhi's Taj Palace Hotel. Finance Minister Pranab Mukherjee was the chief guest.

There were awards in five categories: Education, Environment, Health care, Empowerment and Livelihood. Microsoft India was co-winner in the Empowerment category along with the gem and jewellery heavyweight, the Gitanjali Gems. "Our flagship CSR programme, Project Jyoti, aims at bridging the digital divide in the country by making underprivileged sections computer-savvy," Dhasmana added. She also noted that some of her company's initiatives went well beyond conventional CSR: it is consistently working on adding disabled-friendly features to its software.

Other winners included direct selling giant Amway India in the Education category, wind energy leader Suzlon Energy in the Environment category and Standard Chartered Bank in Health care. Amway supports a host of orphanages. "It is not just about doling out cheques," said Yoginder Singh, Vice President, Legal and Corporate Affairs, Amway India. "Our employees also get actively involved in health, education and sanitation initiatives at these orphanages." Leading business process outsourcing firm Firstsource Solutions was co-winner in the Livelihood category, along with Bharat Petroleum Corporation. "We have been into CSR activities for a decade," said Shivprasad Shetty, General Manager, Client Relations, Asia Business Unit at Firstsource. "We don't let the slowdown affect them either."

Aroon Purie (sixth from left), Amrapali Group Chairman Anil Sharma (eighth from left), Bollywood actor Akshay and TV Today Network CEO Joy Chakraborthy (third from right) with Aaj Tak Care Awards jury members and

Star presence: (Above) Akshay Kumar takes the stage with some of the children who attended
Guest of honour: (Bottom left) Finance Minister Pranab Mukherjee with Aroon Purie
Priority, education: (Bottom right) Ashish Bagga (left) and Satpal Gulati awarding PVR's Selena Bijli

In his speech, Mukherjee exhorted business leaders to promote more philanthropic activities, following the examples of Tata, Godrej, HCL, Mahindra, Wipro, among others. "The winners of these awards have gone beyond their role as wealth creators and created value for society at large," he said. "This will go a long way in inspiring other corporate houses to serve society in more efficient and meaningful ways."

Realty major Amrapali Group was the event's main sponsor. "CSR comes largely out of the voice of conscience," said Anil Kumar Sharma, Group Chairman. "The intention is to provide relief to those who need it most." Ashish Bagga, India Today Group CEO, agreed. "The important thing is that corporate houses are taking time out to run these initiatives," he said. "This act of giving goes beyond the companies' goods and services and profit and loss accounts." Joy Chakraborthy, CEO, TV Today Network, felt similarly. "These are the real champions of corporate India, the companies which have gone beyond their corporate objectives of growth and profitability, and made improving society their larger objective," he said.

Thanking the finance minister for gracing the occasion, Aroon Purie, Editor-in-Chief of the India Today Group, noted that news channels were often accused of concentrating exclusively on all that is going wrong in the country. "But these awards are good news and make us focus on the positive developments," he said. "The need for CSR activities is felt even more as income disparities grow and the expecta-

SELECTION PROCESS

In the first phase, IMRB International chose 150 companies based on parameters such as the replicability and sustainability of their CSR programmes, the level of people's participation, the extent of innovation, etc. In the second phase, Federation of Indian Chambers of Commerce and Industry evaluated the CSR activities of all 150 and nominated 40 companies for the third and last phase, the judgement round. Aaj Tak's jury, which included experienced individuals from various fields as well as the corporate sector, chose the final 12 winners (see *Roll of Honour*).

tions of those left behind rises."

Adding colour to the event was Bollywood star Akshay Kumar, who also launched the Aaj Tak Care Awards anthem. "You always feel good when you repay to society," he said. Other celebrities in the audience included cricketers-turned-politicians Mohammad Azharuddin and Kirti Azad, BJP leader Syed Shahnawaz Hussain, and Dabur India's Pradip Burman. The awards were given away by Mukherjee, Purie, Bagga and Satpal Gulati, Vice Chairman, United Group of Institutions, a leading education provider and associate sponsor of the event, besides Chakraborthy and Sharma.

Federation of Indian Chambers of Commerce and Industry was the knowledge partner and IMRB International the research partner of the awards. Black Dog was the beverages partner and Pioneer Publicity Corp. outdoor advertising partner. ◆

Send your comments to editor.bt@intoday.com

Caring for all: (From left) Joy Chakraborthy and Anil Sharma with officials from JK Lakshmi Cement, which won in the Health care category

Eco-friendly: (From left) Aroon Purie and Pranab Mukherjee with executives from Suzlon Energy, which won in the Environment category

Health is wealth: (From left) Joy Chakraborthy and Anil Sharma with representatives from Eli Lilly, which also won the award in Health care

MONEY

EASY PICKINGS
STARTING AN ONLINE EXPORT BUSINESS MAY SOUND INTIMIDATING, BUT IT IS NOT. ONLINE MARKETPLACES ACTIVELY HELP START-UPS

The World Is Your Oyster

Using online marketplaces, you can sell your products across the globe.

By **PRITAM P. HANS**

If you have a product to sell, why remain restricted by the boundaries of a single nation? You can sell your wares across the globe, thanks to the rise of the Internet and shrinking distances.

Online sales are estimated to come close to $1 trillion in 2012. Global research firm Forrester expects online sales in the US to grow from seven per cent of overall retail sales to almost to nine per cent by 2016. According to a report by the Federation of Indian Export Organisations (FIEO), exports through the e-commerce route have grown over 400 per cent to $1.4 billion in the past three years. "Traditional selling methods, especially to international markets, still remain expensive for small businesses. But with the rise of e-commerce, you can reduce costs on labour, international phone calls and travel," says Nayan Thakkar, Manager, Sales and Customer Support, Alibaba.com, a leading business-to-business (B2B) marketplace.

You need to first analyse the market and figure out how to reach your customer. "Businesses need to

identify the right market and understand the export opportunity," says Nitin Bawankule, Industry Director, Google India.

A resident of Moradabad, Uttar Pradesh, Sandeep Mehrotra identified a business opportunity in export of metal artefacts. He set up Progressive Enterprises with an investment of ₹2.5 lakh in 1995. Mehrotra initially focused on offline deals. After years of advertising in global media and participating in international trade fairs, he finally found success only when he used an online B2B marketplace.

In contrast, Deven Patodia, an entrepreneur from Kolkata, started out with a plan for the online market. Having studied in the US, he was aware of the market potential for eco-friendly organic cotton bags and packaging material there. He started Star Silk Exports, with a small investment of ₹30,000 on a few machines. Today both businesses have an annual turnover of ₹2 crore to ₹4 crore, mainly through online orders.

Once you have identified a market, you must decide whether you want to tap the retail market or cater to wholesale buyers. Naveen Pamnani, who has a successful retail export business in spare parts of vintage bikes and scooters through his firm 24x7 Mercantile House, finds selling to end-consumers more lucrative. "Before starting my retail auto parts business, I was exporting handicraft items in bulk. I would be shipping containers worth ₹20 lakh to ₹50 lakh per month. The items would be sold by local retailers at several times the wholesale price. I was the loser," he says. Thus when he started selling spare parts, he decided to cut out middlemen and retail the parts at relatively lower prices by sourcing them from local traders. But selling wholesale has advantages too. "It is better to find bulk buyers to get economies of scale," says Mehrotra.

Once you decide your products and your target customers, it is time to set up an online shop. An e-commerce site needs an initial investment of only ₹5,000. Familiarise yourself with free e-commerce site platforms such as Magento, PrestaShop and osCommerce. Your investment will be the cost of domain registration and web hosting (₹500 and ₹5,000 per year respectively).

Starting an independent website requires a lot more work in terms of reaching your customers. As most users start their online shopping from search engines such as Google and Yahoo!, your site must appear among top search results. This can be a challenge. You can also use online advertising services such as Google AdWords. However, keep track of the results to avoid losing money on wasteful ads. Though there are consultancy companies that manage websites and online stores, results are not guaranteed. Mehrotra created a website in 2004 and hired a consultancy to promote it, but the move failed. He started getting a regular flow of enquiries and orders only after he joined Alibaba.com. IndiaMart.com and TradeIndia.com are other popular B2B marketplaces. eBay.com, which has several country-specific websites, is a popular retail store.

Like any business, an online one has a gestation period. It may take a few months to a year to have it running. "Being resilient is very important," says Patodia.

There are also regulatory requirements. "You have to establish a firm and get it registered with the Registrar of Companies," says M. Rafeeque Ahmed, president, FIEO. All exporters also need an Import Export Code issued by the Directorate General of Foreign Trade (see *Follow the Code*). Once a customer places an order, try to get paid before shipping it, to avoid payment fraud. Payment gateways such as PayPal.com allow you to get paid instantly and securely.

Before shipping products overseas, acquaint yourself thoroughly with the different country-specific regulations on product codes and specifications. Consult a chartered accountant for guidance. ◆

Courtesy: *Money Today*

Follow the Code

Any individual or company selling and shipping goods outside India has to obtain an **Import Export Code** (IEC) issued by the Directorate General of Foreign Trade

You can apply for an IEC online by submitting the necessary documents along with a fee of ₹250

DOCUMENTS REQUIRED

- PAN number
- Current bank account
- Banker's certificate
- Covering letter on your company's letter head
- Two copies of the application in prescribed format
- Two copies of passport size photographs of the applicant duly attested by the bank of the applicant

Teeing off in Dubai

Regional winners have a swinging time at *BT*-Honda's golf event

The picturesque **Montgomerie Dubai golf course**

Playing golf on a hot and humid summer day is not a good idea, but if it is at an idyllic golf retreat, like the Montgomerie Dubai, it is a different matter altogether. The enthusiastic regional winners of *Business Today*-Honda Pro-Am of Champions 2012 shrugged off the weather to display their passion for the game at this venue recently. The participants had to even make do without caddies and display special skills in reading the well-manicured greens, where they were playing for the first time, but they did not mind one bit.

The Address Montgomerie Dubai boasts a 7,446-yard championship golf course designed by professional Scot golfer Colin Montgomerie in association with the late Desmond Muirhead, a renowned golf course architect. Ranked as one of the top courses in West Asia, the links-style course is managed by Troon Golf, one of the best golf course management companies in the world. (Link courses are usually near the coast, often amid dunes, with few water hazards and few, if any, trees.) The Montgomerie has a majestic clubhouse with 21 five-star hotel rooms, three international restaurants, a fitness centre and a spa.

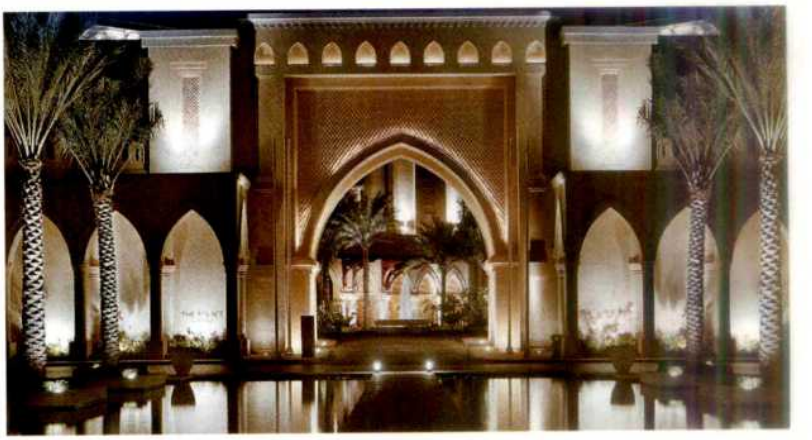
The tournament, which was played over 6,750 yards, teed off at 1.30 p.m. (local time). Golf carts fitted with GPS devices, which displayed accurate yardages, helped the participants navigate the course. Lush green fairways – not too thick rough – and the forgiving bunkers made for a pleasant experience despite the weather. At the end of play, Sheila Sangwan, a member of the

All the **regional winners**

Dubai's **Burj Khalifa**, the world's tallest building

Central Board of Excise and Customs (CBEC), and Sudhir Patel, Chairman, ABC Bearings Ltd, came out on top in the 0-16 and 17-24 handicap categories respectively.

The participants then retreated to three top-of-the-line luxury five-star hotels – The Address Downtown Dubai, The Address Dubai Mall and The Palace - The Old Town. The Address Downtown Dubai faces the iconic Burj Khalifa, the world's tallest building. As the second tallest building in Downtown Dubai, the 63-floor hotel is unique and breathtaking. It has 196 guest rooms and suites, and 625 serviced apartments. The Address Dubai Mall is linked to the world's largest shopping and entertainment destination – The Dubai Mall. Both the hotels provide stunning views of The Dubai Fountain – the tallest performing fountain in the world. Finally, The Palace - The Old Town, another imposing structure, has 242 well-appointed guest rooms and suites, including the imperial suite with an enchanting West Asian ambience. The hotel is surrounded by a lake and offers prime views of the Burj Khalifa and The Dubai Fountain. ◆



The Palace - The Old Town, a blend of West Asian heritage and contemporary Dubai

Ashish Bagga (L), CEO, India Today Group, with CBEC member **Sheila Sangwan**, winner in the 0-16 handicap category

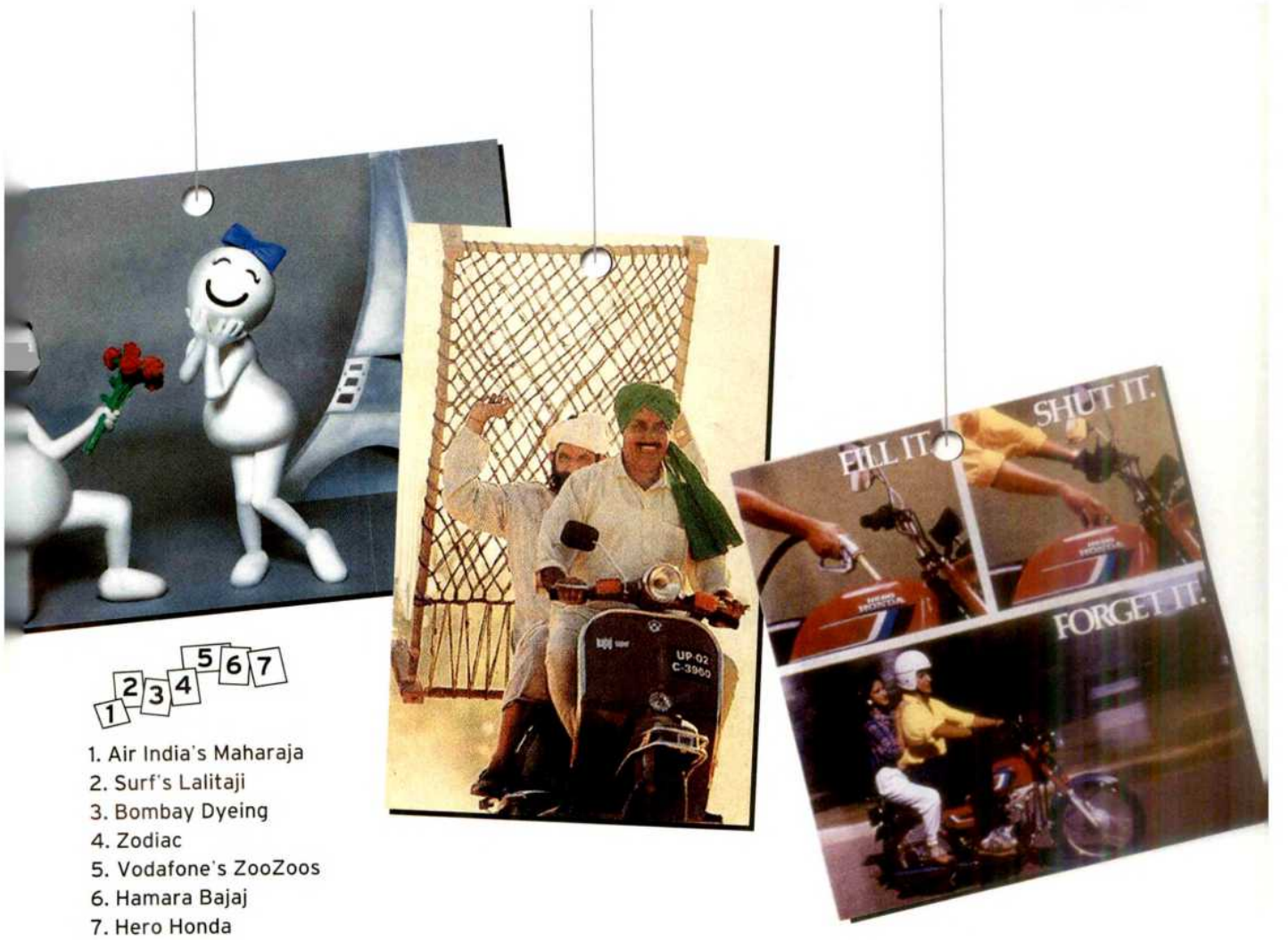
Ashish Bagga (R) with **Sudhir Patel**, Chairman, ABC Bearings Ltd, winner of the 17-24 handicap category

LAST BUT NOT LEAST

TERRA BYTE 116 BOOKS 118 PEOPLEBUSINESS 120

Unforgettable Ad-ventures

G. Seetharaman looks at classic advertising campaigns of years past and explores the minds behind them



1. Air India's Maharaja
2. Surf's Lalitaji
3. Bombay Dyeing
4. Zodiac
5. Vodafone's ZooZoos
6. Hamara Bajaj
7. Hero Honda

When Mohammad Khan moved back to India after spending the better part of the 1960s in London's advertising industry, he was shocked. "It felt like going back into the stone age of advertising. In the early 1970s, there was an ad for Calcium-Sandoz that said 'Strong Teeth and Healthy Bones'. Where is the advertising in this?" Khan played a part in changing that. After working with Sylvester DaCunha, who was then handling advertising for Amul (see *Billboard Hit* on page 118), he joined hands with Arun Nanda and Ajit Balakrishnan in 1973 to found Rediffusion, which subsequently became one of the top independent agencies in India. Two years later, Lintas's Alyque Padamsee unleashed the Liril girl on the nation. The image of the bikini-clad Karen Lunel under a waterfall changed the course of television advertising in India.

The advent of colour television during the 1982 Delhi Asian Games played a big part in that change. That was also the year adman Piyush Pandey began his career. "Colour television marked the shift from print and cinema to television," notes Pandey, now Executive Chairman & Creative Director of Ogilvy & Mather India and South Asia. Prasoon Joshi, President, McCann Worldgroup South Asia, who is also a lyricist, believes television led to the democratisation of advertising. "You don't have to be very literate to understand TV ads."

Despite the growing influence of television, agencies continued to produce memorable print campaigns. "From the mid-1970s to the early 2000s there was fantastic print work," says Khan, who penned the tagline "If you want to talk, you don't have to walk" for Superphone intercom in 1978.

Some notable print campaigns from that period include FourSquare, with the tagline, 'Live Life Kingsize,' and Garden Sarees, which also had television commercials. "The Garden ads brought a new aesthetic to the medium," says Anand Halve, co-author of *AdKatha: the Story of Indian Advertising*. Elsie Nanji, Managing Partner of Red Lion Publicis, fondly remembers a print ad in 1983 for Hotel Dona Sylvia in Goa: "It had beautiful long copy and the hotel was booked for months." Nanji, with Ashok Kurien, created Thums Up's 'Taste the Thunder' campaign and the controversial ad for Tuff shoes featuring Milind Soman and Madhu Sapre in the nude. Echoing Nanji, Joshi says he really misses the long

"An ad for Hotel Dona Sylvia in Goa had beautiful long copy and the hotel was booked for months"

Elsie Nanji, Managing Partner of Red Lion Publicis

The Tuff Shoes ad

copy of Khan and others. "Today is the age of slogans."

The 1980s saw the emergence of the iconic 'Lalitaji' in the Surf commercial. She was created by Padamsee to counter the rise of Nirma, which had an equally popular campaign with the jingle "Hema, Rekha, Jaya aur Sushma... sab ki pasand Nirma."

Towards the fag end of the decade came the 'Hamara Bajaj' ad, created by Lintas. It spoke as much of national pride as of the scooter itself.

By this time, advertising was no longer limited to city-bred, English-speaking copywriters. Pandey, from Jaipur, and Joshi, born in Almora, Uttarakhand, began to infuse small-town sensibilities into their commercials. For instance, Pandey came up with an ad for Fevicol with *3 Idiots* director Rajkumar Hirani, where two groups of people, aided by an elephant, try in vain to pull apart two pieces of wood stuck together. Joshi, inspired by the practice in villages of dunking mangoes in a well to cool them, had Aamir Khan drawing a bucketful of Coca Cola bottles from a village well.

Admen started using unusual insights to work brands into consumers' hearts. Lowe Lintas's 'Daag Acche Hain' campaign for Surf Excel is a case in point. "The whole idea was if you are powerful you won't fear your enemy, rather you'll celebrate him," says R. Balakrishnan, Chairman and Chief Creative Officer of Lowe Lintas & Partners. Better known as Balki, he is the brain behind the 'What an idea, sirji!' commercials for Idea Cellular and directed the Hindi films *Cheeni Kum* and *Paa*.

Of late, Indian ads have been winning big at international awards. The Happydent palace commercial won a silver lion and a bronze lion at Cannes in 2007. Ram Madhvani, who directed the ad, says that though the commissioned length of the commercial was 60 seconds, Perfetti Van Melle, which owns Happydent, decided to go with the 85-second cut after watching it.

Two other campaigns that have raked in awards are the Hutch pug ads and Vodafone's ZooZoos. Rajiv Rao, National Creative Director, O&M India, says the roots of ZooZoos lay in his wanting to do a comic strip kind of series.

While advertising has changed for the better in several respects from three-four decades ago, Khan is not too happy with the over-reliance on celebrities to promote brands. Padamsee believes advertisers and companies tire of a campaign before consumers do. "Amul is the only brand that has survived everything and continues to be consistent." ◆

"From the mid-1970s to the early 2000s there was fantastic print work"

Mohammad Khan
Co-founder, Rediffusion

UMESH GOSWAMI

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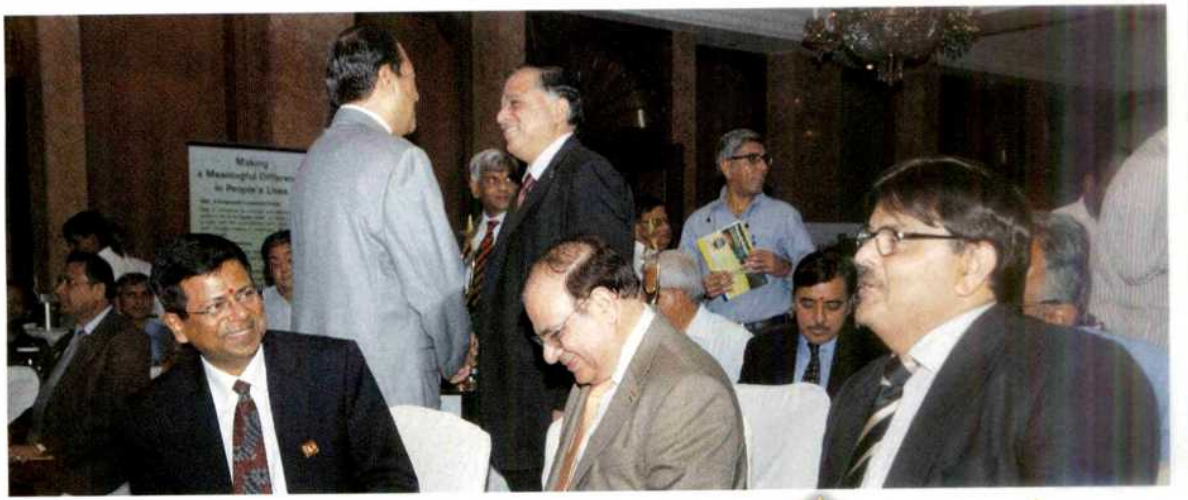

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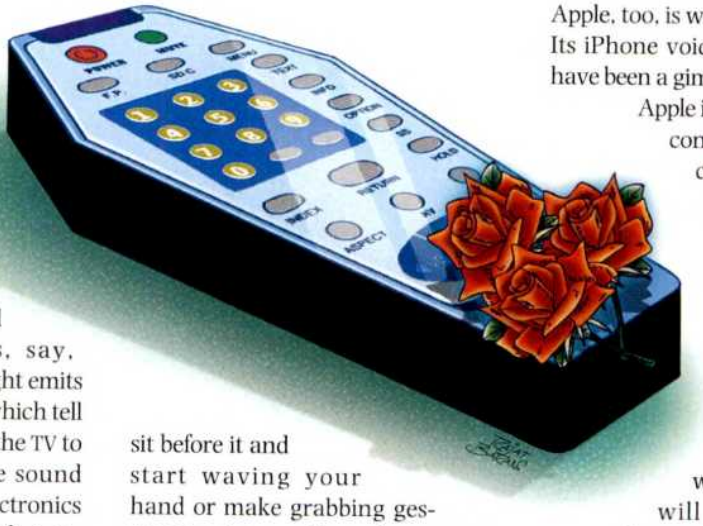
Remote Decontrol

The favoured weapon of the couch potato could be overtaken by technology

Had you flipped television channels on May 20 or even later, using your remote control, looking for news of Eugene Polley's demise, you would not have got much. The inventor of the first wireless TV remote, the Flashmatic, in 1955, died pretty much an anonymous death, aged 96, on that day. But the small, buttoned device Polley created engendered an army of sofa surfers, who found the distance between their seat and the TV fortuitously bridged.

Since 1955, the TV remote has gone through many avatars. Polley used visible light in his device. Later, remotes employed infrared, radio wave and ultrasound technologies. Today's remotes mostly use infrared light. When you press, say, 'Volume Up', the infrared light emits a series of superfast blinks, which tell the binary code receiver on the TV to initiate action to raise the sound volume. Most consumer electronics at home began coming with a remote. And the number of these devices increased so much that they deserved a collective noun all their own – say, a confusion of remotes. Then someone (at Philips, actually) had the bright idea of a 'universal remote' which could be programmed for use with more than one device. So to the eternal gratitude of the sofa-bound, the same remote began to be used to manipulate the likes of the TV, the DVD player, the air conditioner and so forth.

It may be pure chance, but Polley's death may well presage the passing of an era. For, just a few days before he died, Samsung launched its ES8000 and ES7500 series of TVs that incorporate technologies which take over many of the remote control's duties. These TV sets respond to hand gestures, vocal commands and facial features. To activate voice control, all you have to say is 'Hi TV!' Yes, and if you find talking to your TV weird, you better be prepared to sit before it and start waving your hand or make grabbing gestures to change channels or access menus. A voice recognition programme and a camera that senses your hand's movements will work in tandem to carry out many of the tasks the remote currently does.



And there is more to come. "We expect to see the technologies replicated in our other products," says a Samsung official. So one can look forward to, perhaps, Blu-ray players and ACs, refrigerators and music players all meekly obeying our verbal commands or the wave of our hands. In an industry where one breakthrough is bested by another, you can be sure that a host of other companies will usher in their own remoteless gadgetry. In fact, both Apple and Microsoft have already tested the waters. Microsoft, which wowed the world with its motion-sensing Kinect for its Xbox gaming console in 2010, has already moved the technology to its Windows platform. It issued a beta version of a Kinect software development kit (SDK) for Windows in February opening up vast possibilities of its use on TVs and computers. Apple, too, is working on its new TV. Its iPhone voice assistant Siri may have been a gimmicky prototype, but Apple is set on making voice control the essence of its concept of home entertainment.

The remote, which for nearly 60 years has been a much-loved accoutrement of the domestic circus, seems to be on its way out. However, it will not happen in a hurry. As one Samsung executive says: "There is a substantial populace which will not have access to these premium products. Hence, the remote will continue to be integral to Samsung products targeted at the masses." That the remote is not quite giving up its ghost yet is clear from Samsung's new TV, where some functions, such as navigating the (Samsung) Apps section, still require the loyal remote in addition to voice commands. The fade-out may take a few years yet, but a beginning has been made. ◆

Résumé-gate

Sins of omission and commission in your CV could cost you your dream job

Airports are fertile ground for serendipitous encounters. Recently, checking in early at Delhi airport for a flight to Ahmedabad, I bumped into a senior recruiter I know, who was looking somewhat exasperated. I quizzed him and the reason for his annoyance became clear. "I am surprised by how experienced people can come up with shoddy résumés," he said.

I probed further. "Oh, nothing... just a poorly written résumé and my candidate was dumped by the CEO," he added. I spent the next few minutes listening to him, and was surprised to hear that candidates, even at senior levels, often mess up their *curriculum vitae* and thus lose out on excellent opportunities.

I next called up Hastha Krishnan, Director at leading recruitment and HR services firm, Randstad India. She confirmed what the earlier recruiter had told me. "We often have to deal with badly-written résumés," she said. "We call candidates in for chats and get such CVs reworked." One job portal for senior executives, Headhonchos.com, actually offers help with CVs as a service.

Let us look at some common errors experts find in résumés:

Weighed down by bulk: Most résumés that reach HR departments are way too bulky. "Sometimes people include all sorts of details such as their village addresses, their passport numbers, their dates of birth, etc," says Uday Sodhi, CEO, Headhonchos. There is no need to clutter the CV with such trivia, and especially not on the first page. In any case, a good résumé should not exceed two pages. All you need to ensure on the first page is that your email ID and contact number have been provided. Other details can come later. And while detailing your work experience, do remember to begin with the most recent experience and work backwards from there.

Garbled start: Many people have problems summarising their work experience in a crisp introductory note. They often omit this vital element altogether without realising that it is this bit that really gets the candidate the job. This summary should set down your key achievements and disclose your motivation. Some good business schools make the mid-career professionals attending them submit their profiles as part of their projects. The coaches keep pushing the executives to polish these profiles to perfection.

Error alert: There are often errors of omission in the résumés of executives too. Some may set down the date of their joining or quitting a company wrongly; others may leave out a short stint at another company, considering it unimportant. But that short stint and its responsibilities may just be what the prospective employer considers vital. Put down everything in the CV, but be brief – you can elaborate later if asked to. Do mention sabbaticals and any short transition attempts.

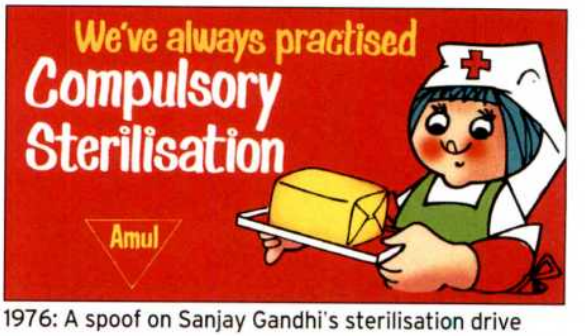
True lies: The biggest mistake you can make is that of lying. If you were sacked at some point in your career and are caught trying to hide it, or you claim ownership of a project that was actually a team effort, you are likely to qualify for what is now being called 'résumé-gate'. The term is increasingly heard in the aftermath of Yahoo! CEO Scott Thompson's recent admission to 'inaccuracies' in his résumé. "When we notice exaggerated claims, we tend to be extremely careful with the candidates concerned," says Randstad's Krishnan. You can live with a sloppy résumé but not with one where your past may come back to take away your pay cheque forever. ◆

Billboard Hit

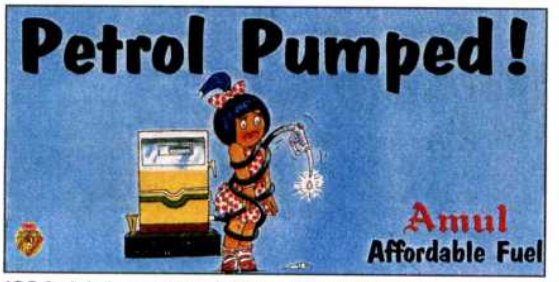
A new book captures the history of India through the Amul girl's eyes.

Amul over the years

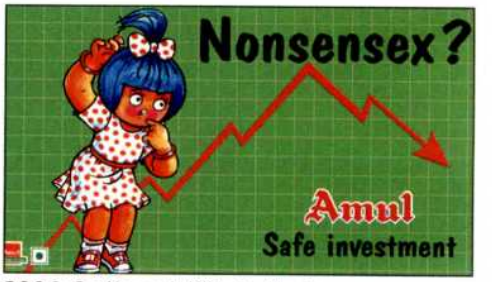
1966: The very first billboard



1976: A spoof on Sanjay Gandhi's sterilisation drive

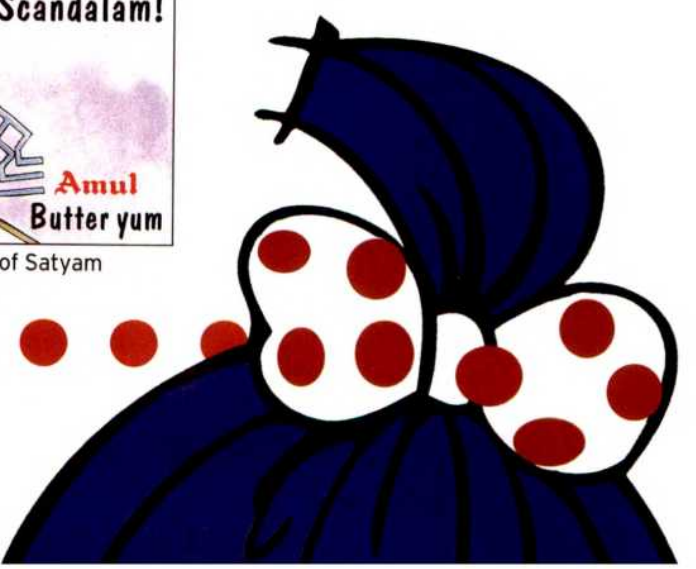


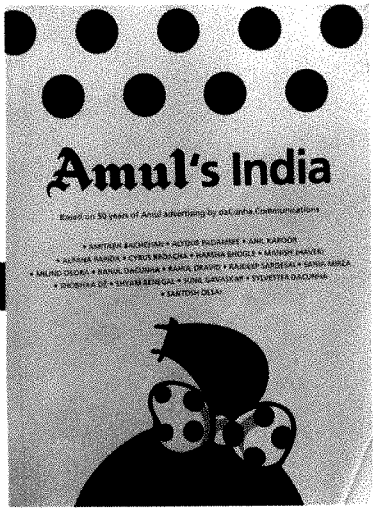
1996: A take on the rising price of petrol



2006: On the volatility in the Sensex

2009: Lampooning Ramalinga Raju of Satyam





Amul's India
Collins Business
Pages: 212
Price: ₹299

Air India's Maharaja has been cremated by his managers. Onida's devil has been exorcised by the Koreans. And little Gattu has been painted out by Asian Paints. But one Indian mascot, a cute little girl in polka dots, continues to captivate India nearly 50 years after making an appearance with a pun on the Lord's Prayer. Each week, motorists and pedestrians pause before billboards around the country to see what the Amul girl has to say about the latest events in the news. Whether it's activist Anna Hazare's agitations against the powers that be or Shah Rukh Khan's shenanigans, the little girl has something to say, and she does not pull her punches.

Today, over 4,000 billboards later, the Amul campaign continues, with its theme, style and tagline – utterly butterly delicious – unchanged. The credit for that continuity goes to the Gujarat Co-operative Milk Marketing Federation (GCMMF), in particular, its founder, Verghese Kurien. And to Sylvester daCunha's ad agency, daCunha Communications, and its forerunner, Advertising and Sales Promotion. Even on a good day, agency-client relationships are prickly, but this one was special. Kurien ensured that daCunha and his team had complete creative freedom, and the agency made the most of it. That license continues to this day.

Those who missed out on the moppet's tongue-in-cheek comments can catch up by reading a new book, *Amul's India*, which celebrates the campaign and its history. The book, conceived by Amul brand manager DY Works, is a collection of essays by many luminaries, including daCunha, his son, Rahul, Harsha Bhogle, Shobhaa De and others. It also has interviews with Kurien, adman Alyque Padamsee, and actor Amitabh Bachchan. A quick, easy read, it tells the history of India through the Amul girl's eyes.

While the most engaging essay is Future Brands MD Santosh Desai's commentary on how the Amul girl's satire evolved over the decades, the reproductions of many classic Amul ads are the best part of the book. They make it a joy to read for those who missed out on seeing them, and a wonderful trip down memory lane for those who did. The book also takes the reader behind the billboard to show him what goes into the making of an Amul ad.

Early on, daCunha recalls how the slogan 'utterly butterly delicious' emerged out of a conversation he had with his wife, Nisha. His art director, Eustace Fernandes, then drew the caricature of the Amul girl. The agency ran the moppet and the tagline on a few lamppost boards in Mumbai (then called Bombay), getting positive feedback. Thereafter it was decided to launch a full-fledged billboard campaign. The girl with the polka dotted frock and matching ribbon in her ponytail hasn't looked back since.

Today, the fact that Indians instantly identify the moppet with the Amul brand is testimony to the campaign's success. She was conceived as a mascot only for Amul butter, but her popularity has today made her a mascot for most Amul products.

Amul's India makes the reader realise that the India of old was less prone to the extreme reactions of today. It allowed the copywriters to lampoon one and all. For instance, former Bihar chief minister Lalu Prasad Yadav earned the sobriquet "Fodder of the Nation" after the fodder scam broke out. But today, it may not be that easy to poke fun at the Maharashtra Navnirman Sena or former Uttar Pradesh chief minister Mayawati, says Rahul daCunha.

There were times when the ads rubbed people the wrong way, such as the "Indian virgin needs no urgin" line in response to gynaecological checks on Asian women entering the UK in the late 1970s. Women's rights groups protested the line and it was one of the few occasions when an Amul ad was pulled.

Some of the ads remind the reader that not much has changed in India. During a prolonged strike in 1967, the Amul girl, dressed as an airhostess, says: "Indian Airlines serves Amul butter – when it flies." Another from a decade ago shows Jayalalithaa, who was the chief minister of Tamil Nadu back then as well, holding a gun against former prime minister Atal Behari Vajpayee's head. Replace Jayalalithaa with West Bengal chief Minister Mamata Banerjee and Vajpayee with Prime Minister Manmohan Singh and you realise that the more things change, the more they remain the same. ◆

ALLAN LASRADO

Surviving Close Calls

N. Srinivasan
MD, India Cements, and President, BCCI

The summons from the CBI in connection with the disproportionate assets' case against YSR Congress chief Jagan Mohan Reddy is only the most recent of the controversies **N. SRINIVASAN**, 67, has been involved in. The CBI has alleged that India Cements, of which Srinivasan is Managing Director, invested in Reddy's various businesses and in return received undeservedly large water allocations from the Andhra Pradesh government for its plants located in that state.

In fact, Srinivasan's earliest controversy dates from 1979, when he quit India Cements in a huff following differences with the then Managing Director K.S. Narayanan. He rejoined only a decade later. Then, in the late 1990s, he was suspected of being a *benami* (proxy) for close friend, DMK leader and former union minister Murasoli Maran, in various deals. He has also been accused of forming a cartel of cement players from the South to inflate prices.

It is in his capacity as President of the Board of Control for Cricket in India (BCCI), however, that Srinivasan is internationally known. Given India's current clout in the game due to its huge following in this country, he has been called the most powerful man in world cricket today. But here too there have been controversies: notably over the fact that India Cements owns one of the teams participating in the Indian Premier League (IPL), Chennai Super Kings, which won the tournament in both 2010 and 2011 and was a finalist this year. Questions have been asked about whether there is a conflict of interest between being an IPL franchise holder and president of the BCCI, which conducts the tournament.

Srinivasan's friends say the controversies obscure his many virtues. But his ability to take the controversies in his stride is also the reason for his success. He is ambitious, aggressive, reads the market well, and never gives up. "He hates losing, even if it is a game of golf," says one.

These traits were evident in the 1990s when, realising India Cements needed to be a large player to survive, he went on an acquisition blitzkrieg. He outbid Gujarat Ambuja Cements more than once to acquire capacities, and even acquired the erstwhile Rasi Cements in a hostile takeover. When he took charge as India Cements' MD in 1989, its capacity was 1.4 million tonnes. Today, it is 14 million tonnes.

But there have been tough times too. In 2000/05, soon after his spate of leveraged acquisitions, cement prices crashed. India Cements incurred huge losses; unable to service its debt, it went through a debt recast and had to sell many of its assets. "I learnt a lesson: never grow in a fractured market using debt," he says.

He is a hands-on manager: despite his deep involvement in cricket administration, he remains fully up-to-date on his company's production and dispatch volumes. He is highly religious and swears by *vastu shastra* and numerology. All his cars have registration numbers ending in '9001'.

N. MADHAVAN

Harvard's New Health Monitor

SWATI PIRAMAL, 56, Director of Piramal Healthcare, has been nominated to the 30-member Harvard Board of Overseers, one of the two boards governing Harvard University. It has been a year of highs so far for Piramal, who was also awarded the Padma Shri in April for her contribution to trade and industry. A long roster of distinguished names have served on the same Harvard board, including former US president John F. Kennedy and former vice president Al Gore.

Piramal is a Harvard alumna herself, with a Master's in Public Health from the university. She also has a medical degree from Mumbai University. She hopes her experience at Piramal Healthcare –which she and her husband Ajay are keen to make India's leading drug discovery company – will help bring an international perspective to the board. "I have fond memories of my classmates and through this election, connected with them again after many years. I also hope to bring back the best of Harvard to India," she told *BT*.

GEETANJALI SHUKLA

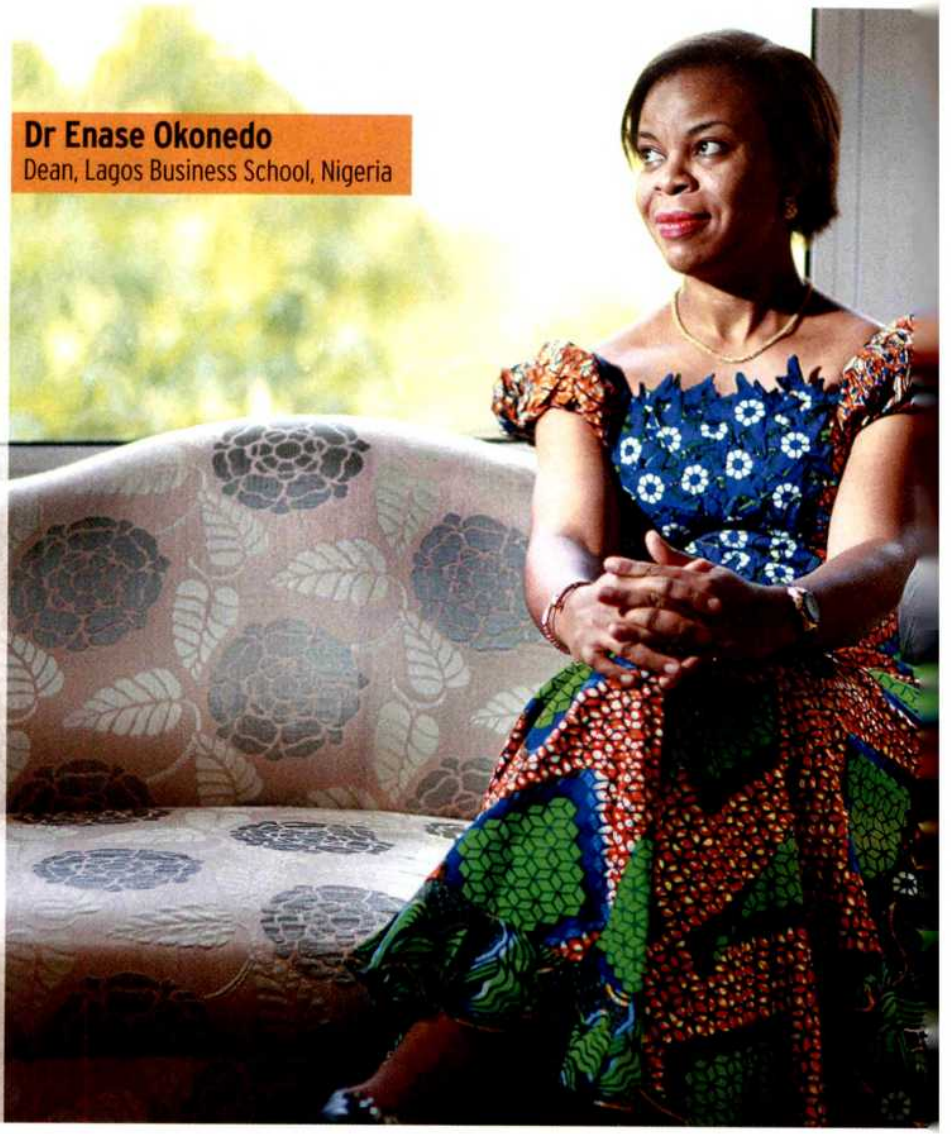
Swati Piramal
Director, Piramal Healthcare

SHEKHAR GHOSH/www.indiatodayimages.com

Bridging Nations

Delhi's scorching heat did not appear to bother **ENASE OKONEDO**, Dean of Lagos Business School in Nigeria, as she closely examined the murals on the walls of the Red Fort. She was in the capital recently to attend the annual conference of the Global Business Schools Network being hosted by IMT Ghaziabad. Also Chairperson of the Association of African Business Schools, she is forthright about what Indian companies in Africa should be doing. "They have to focus on the development of the local people who work for them," she says. Mother of an eight-year-old girl, she is both an art aficionado – with an impressive collection of paintings – and a voracious reader. She says the best advice she ever got was from a teacher at her business school in Barcelona, Spain. "Read every day, even if it is for half an hour," she was told, and she has tried hard to follow it. A favourite book is *Our Iceberg Is Melting* by John Kotter and Holger Rathgeber, a fable about how to manage change.

DEARTON THOMAS HECTOR



Dr Enase Okonedo
Dean, Lagos Business School, Nigeria

ADITYA KAPOOR/www.indiatodayimages.com

Milind Kamat
CEO, Atos India

Olympian Project

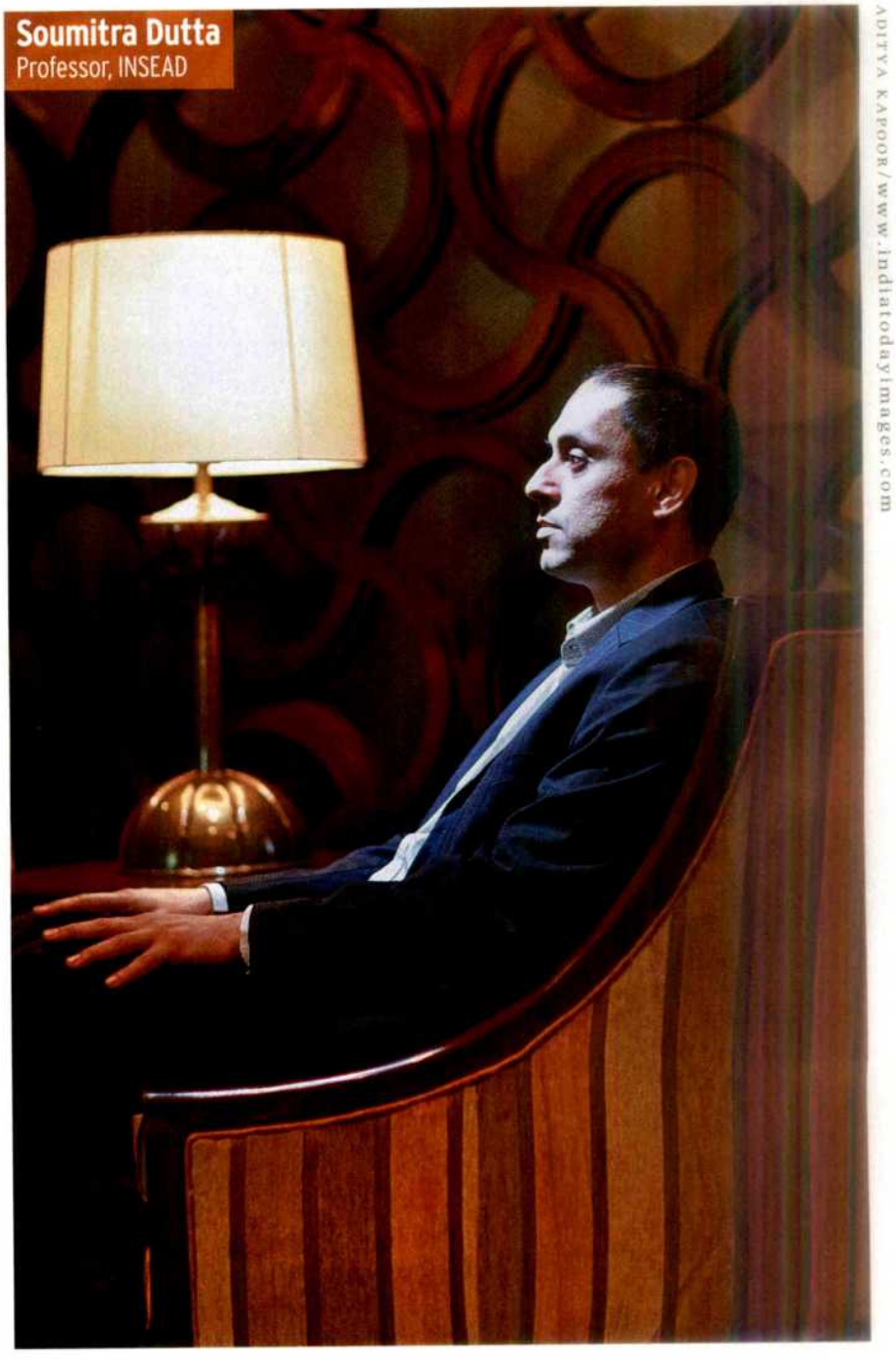
Being the IT partner for the biggest sporting event on earth is no joke. The challenge gets bigger when the event concerned, the 2012 Summer Olympics in London, starting July 27, is slated as the 'smartest' Olympics ever. French IT major Atos SA is the partner and, according to **MILIND KAMAT**, CEO of its Indian arm, people will follow the Games on 8.5 billion devices, including 100 million smartphones. "You cannot shift milestones in a project like this," he says. India will account for a tenth of the 600-strong force Atos will send to London for IT support. Mumbai also houses Atos's second biggest team of engineers working on the event – after Barcelona, Spain.

G. SEETHARAMAN

Goodbye INSEAD, Hello Cornell

After 22 years at INSEAD, the leading business school in France, in various teaching capacities, **SOUMITRA DUTTA**, 48, is making a cross-Atlantic move to take over as the first Indian-origin Dean of the Samuel Curtis Johnson Graduate School of Management, Cornell University, in eastern US. While at INSEAD he acquired a global reputation as editor of its Global Innovation Index. Dutta, who graduated in Computer Science from IIT Delhi, has lived overseas for the last 26 years, but visits India often. Will the visits continue? "Probably instead of once in three months, now I will be able to visit only once in four months," he says. Discussing the increasing number of Indians at the highest levels of global management, he adds: "Globally, India is becoming mainstream." He believes Indians are better than many others at handling diversity. ◆

ANAND J.



ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

SUNIL DUTT

Managing Director, Research In Motion India

My leadership style
- [x] Delegative
- [x] Participative
- [ ] Authoritative
- [ ] All of the above

The political leader I admire the most
Barack Obama

The business leader I admire the most
Steve Jobs

The leadership lesson I remember the most
Success, if combined with humility and complete absence of arrogance, leads to exponential growth

A book I would recommend on leadership
Profiles in Courage by John F. Kennedy

The difference between a manager and a leader
A good manager can facilitate and guid
a leader inspires and encourages

All good managers are good leaders
No

As told to Vivan Mehra

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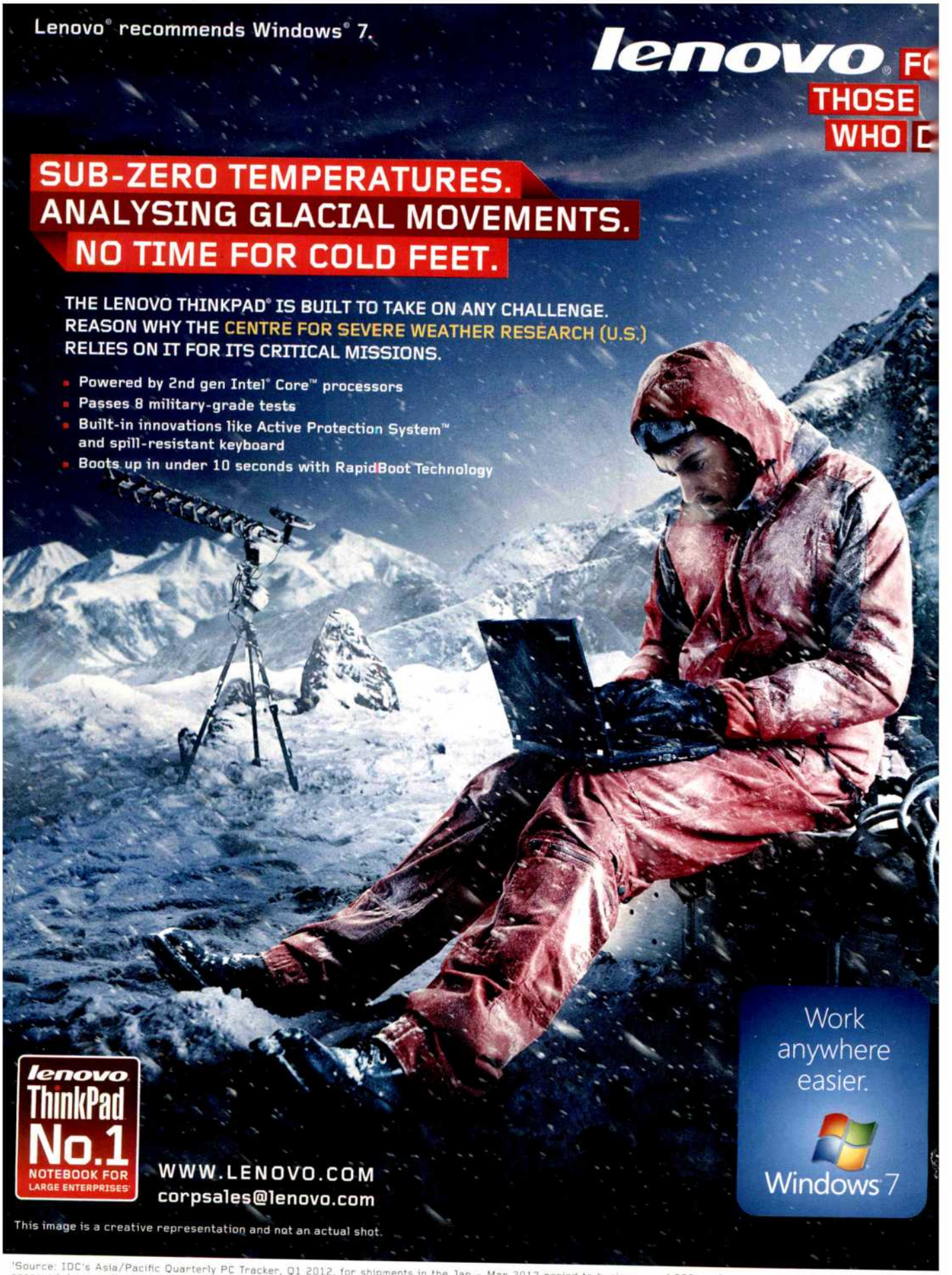

*Source: IDC's Asia/Pacific Quarterly PC Tracker, Q1 2012, for shipments in the Jan – Mar 2012 period to businesses of 500 employees or more. © Lenovo 2012. All rights reserved. Lenovo, the Lenovo logo, For Those Who Do, ThinkPad and Active Protection System are trademarks or registered trademarks of Lenovo. Microsoft and Windows are registered trademarks of Microsoft Corporation. Intel, the Intel logo, Intel Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Lenovo reserves the right to alter product offering and is not responsible for photographic or typographic errors. Product images are just for reference and might not resemble the actual products.

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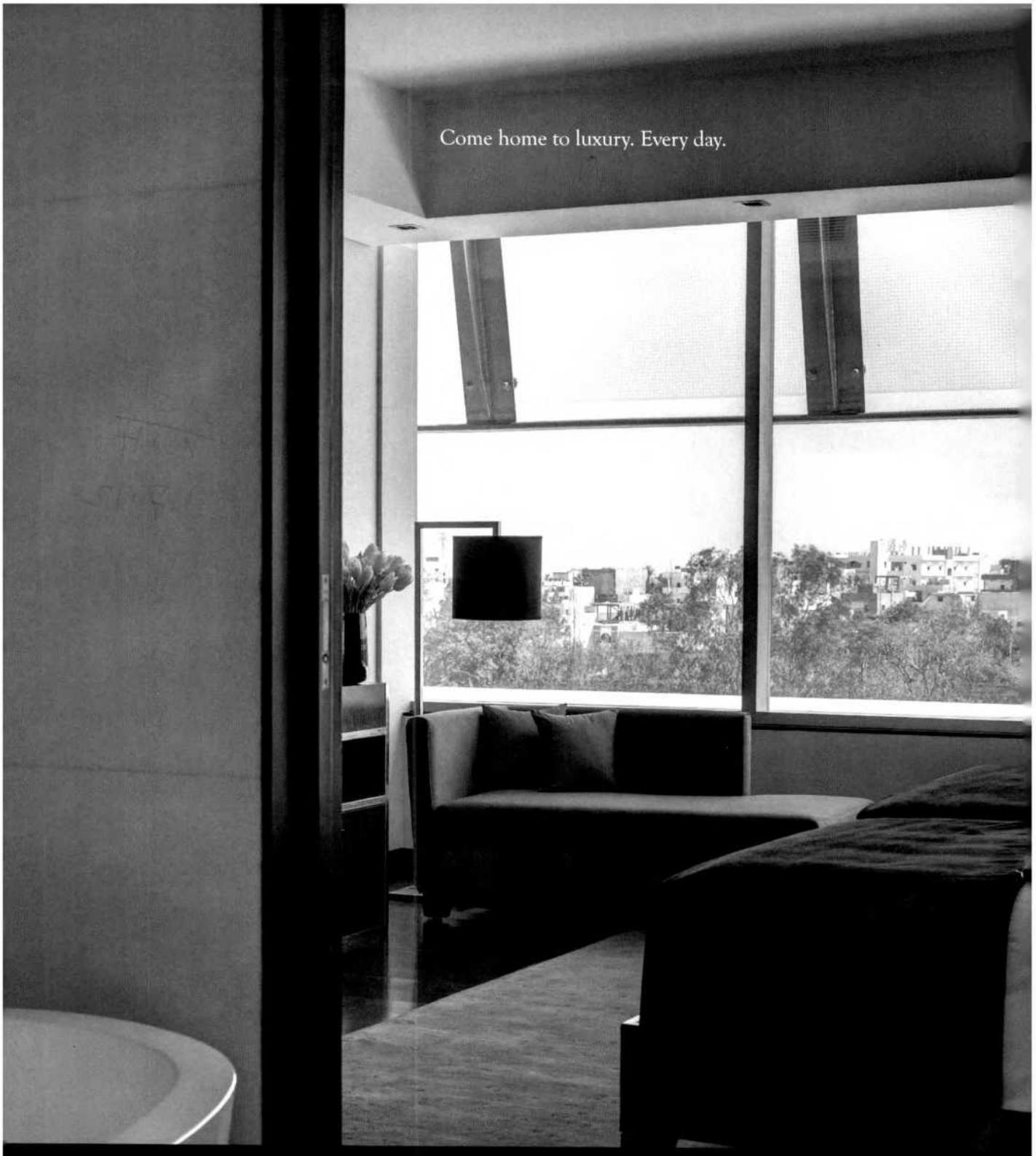

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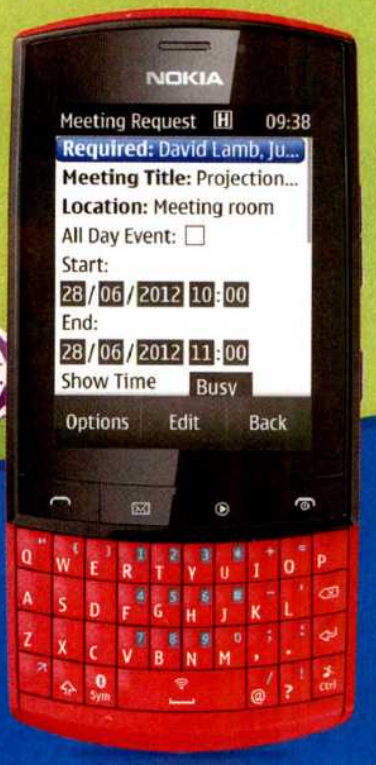

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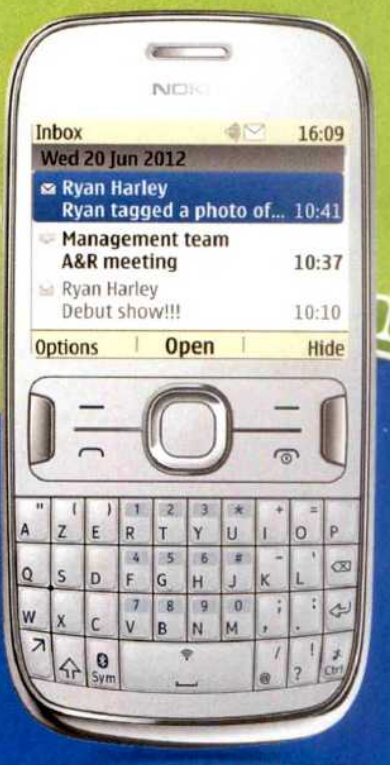

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From the Editor

A laughter club in Mumbai is forced to "zip it" because a humourless neighbour is disturbed, not long after a 63-year-old cartoon unleashes a cleansing of school textbooks that would warm a tin-pot dictator's heart. In the same "cosmopolitan" city, a woman is arrested for possessing liquor that she was using to make chocolates, and a zealous policeman is stalking every late-night party. On the plus side, a bride in Uttar Pradesh refuses to go to her new husband's home until he installs toilets, delivering a decisive blow for gender rights. In the same spirit, Sania Mirza fires an ace at India's male-chauvinistic tennis prima donnas and tells them where they get off.

It has been a hot summer, and a lot of people at home and abroad heaved a collective sigh of relief when Pranab Mukherjee decided to stroll up Raisina Hill to a figurehead future. Pundits have just about overdosed on dyspepsia on the state of the economy; Senior Editor Sanjiv Shankaran puts the putative 13th President's track record in perspective on page 16. It is a sign of the bankruptcy of talent in our government that when the economy needs a new and firm hand on the tiller, Manmohan Singh is again stepping in as finance minister, and lecturing us on reviving our "animal spirits". He should know – he has been on both sides of the fence, first as Reserve Bank of India governor, then as finance minister, and two decades later, as the consummate fence-sitter, dubbed "Dr Dolittle" by one website.

Of course, not all is dark around us. Coca-Cola and IKEA have announced large investment plans, the tax authorities may go slow on Vodafone, and you might actually see some legislative action on economic reform during Parliament's monsoon session. And even if some carmakers are planning to pull back production to cope with rising inventories, the Sensex ended the first six months of 2012 up nearly 12 per cent, and a Reuters poll saw it rising further to 18,500 by year-end; that would merely take it back to around where it stood in July 2011, but still...

At *Business Today*, which by the way has confirmed its position as India's most-read business magazine and second-most-read business publication if you include all financial dailies and magazines, according to the latest Indian Readership Survey (thank you, loyal readers), we do not believe in being unduly gloomy. Executive Editor Suveen Sinha discovered there was plenty of good spirit in the world of mergers and acquisitions and private equity when he travelled to Mumbai and tracked down a number of smaller investment banks that dart about our financial markets gorging on the plankton while the whales scour the seas for krill. Read his upstart cover story from page 58.

And in the same upbeat spirit, we take a good look at what India is doing – and needs to do – in infrastructure. *Business Today*'s reporters write about land acquisition, highways, airports and power. Yes, we need upwards of $1 trillion in investments for take-off, and you will get a good idea of the challenge from our package starting on page 40.

Senior Editor Anand Adhikari has written two interesting stories in this issue. The first (page 80) profiles Prakash Bajpai, whose Tikona Digital has big ambitions in 4G or mobile broadband. He is up against very big competitors like Mukesh Ambani's Reliance Infotel and Sunil Mittal's Bharti Airtel. The second (page 20) spots a disturbing trend – the rise in corporate debt restructuring that could presage a sharp rise in banks' non-performing assets. There are other very good trend stories – don't miss G. Seetharaman and Rajiv Bhuva on shareholder activism over intra-group mergers (page 70) and Suman Layak's look at Japanese finance companies' interest in India (page 76).

Chaitanya Kalbag

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AN INDIAN INFRASTRUCTURE STORY

BT correspondents report on the state of India's highways, airports, power plants and land acquisition. Reports and photos at:

▸ businesstoday.in/infra-economy

Rising Sun

BT's **Suman Layak** met Nippon Life Insurance Company President Yoshinobu Tsutsui for a candid discussion of India's growth, Anil Ambani and insurance in Japan. Read the interview at:

▸ businesstoday.in/japan-business

PERSPECTIVES

On the Brink

The battle over subsidies continues, even as the government struggles with reforms, says **Shweta Punj** ▸

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Reviving the Rupee

Will RBI's tinkering with the capital account, work, asks **Sanjiv Shankaran** ▸

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Debt, No Solution

RBI's new ECB norms continue to rely on debt inflow to fix the rupee, says **Anand Adhikari** ▸

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Warning to MFs

SEBI Chairman pulls up MFs for underperformance, reports **Rajiv Bhuva** ▸

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Growth Behind

Has the RBI left growth to fend for itself, asks **Anand Adhikari** ▸

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Should Coal India help the power sector at the expense of minority shareholders, wonders **K.R. Balasubramanyam** ▸

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BLOGS

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& Company Ltd

Will the Tatas back an automatic samosa-making machine?

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Uma Asher
Word Mentality

Words that sound like opposites but are not.

businesstoday.in/uma

Anand Adhikari
Making Sense

As Pranabda departs, all eyes are on RBI.

businesstoday.in/anand

N. Madhavan
Chatterati

Cement manufacturers face an unprecedented penalty for collusion.

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business today

SMART READER CONTEST

Answer this simple question by July 25 and get a chance to win a Reebok bag.

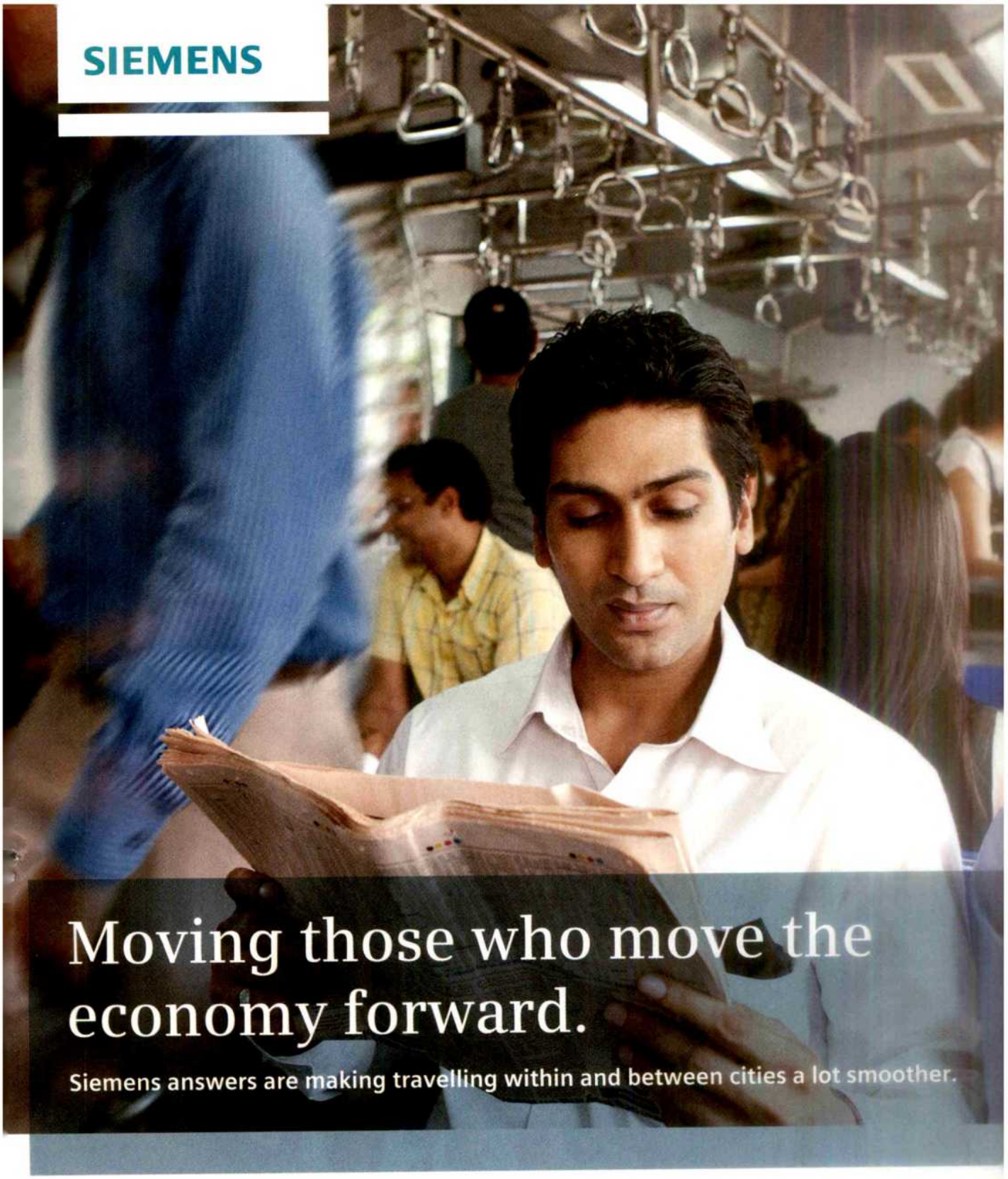
The minimum size a deal should be to interest big investment banks:

(a) ₹ 100 crore
(b) ₹ 200 crore
(c) ₹ 300 crore

Correct answer to June 24 issue's question:
The market for organised retail in India is valued at:
(c) $30 billion
Winners: Vikas Kaushik (Kota), Manju Modi (Birbhum), Rajiv Singh (Jaipur)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 225 correct responses



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PHOTOGRAPH BY VIVAN MEHRA

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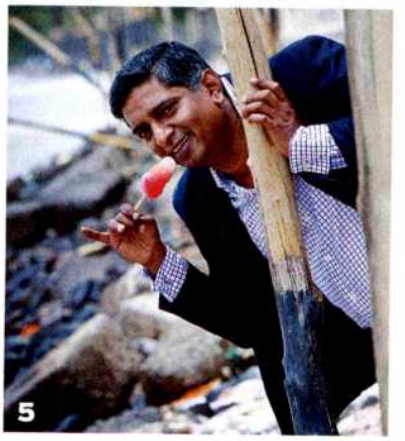

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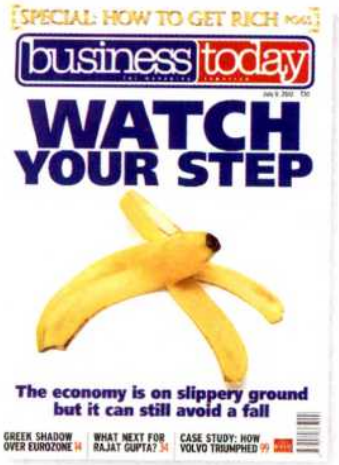

Extensive Analysis

Your cover story (*Watch Your Step*, July 8) aptly focussed on some of the vital questions of the hour: ailing leadership, policy paralysis and steps taken to revive the sinking economy. I was impressed by the extensive analysis of the short-sighted schemes and the self-imposed limitations of the government in your story. It is very disappointing to note that our wealth of experience and skills have been neglected by the government in preventing the drift in the economy. The present slowdown cannot be definitely ascribed to lack of awareness but to tactlessness of think tanks and policymakers.

B. Rajasekaran, *Bangalore*

Eyes Wide Open

Your cover story deals with some important questions and problems India has been facing, or rather struggling with, for quite some time now. There are many loopholes in our policies. It is better the ruling coalition admits its faults and plans cautiously.

Ratul Dey, *Delhi*

Ahead of Many

Your story (*We Lost The Plot*, July 8) explained every bit and nuance of the Indian retail sector. Biyani is a man who goes out of his way to reach the zenith. The story clearly mentions that he does not take the set route to success and is an inspiration for many entrepreneurs.

Divya Bhurat, *Mumbai*

Send all your comments to editor.bt@intoday.com

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RIL to invest $18 bn to double operating profit: Mukesh Ambani tells shareholders: Investing the rising cash pile is good news for India and great news for the sagging economy.
Uday Vendan

PM hopeful despite 'testing times' for economy: But policies do not look as hopeful as your claims sir... You too are not so hopeful... I feel
Pranjal Kumar

Bharti Airtel inks pact with Arsenal for Africa: Now the time for Indian companies to rule the world
Vishal Bhatia

After petrol, vegetables, fruits and other amenities, it is power now. I love our pro-*Aam Aadmi* government @BT_India: Power tariff hiked in Delhi by 24%
madhavjain

The best letter wins ₹10,000 worth of lifestyle
YOUR STYLE. YOUR STORE.
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Much Work Left

The cover story on Kishore Biyani's (*We Lost The Plot*, July 8) Pantaloon retail stake sale to the Birla group was an exciting piece. Not many understand the retail business in India as well as Biyani. He was the one who spotted the opportunity in organised retail much ahead of others and that is how Big Bazaar came into being. The story brings out the fact that the DNA of the Indian retail sector is yet to be decoded fully. It is great to see that big business houses see value in the great Indian Retail Story. Good luck, Mr Biyani!

Amit Bansal, *Mumbai*

Amit Bansal wins the prize of ₹10,000 for the best letter of this fortnight

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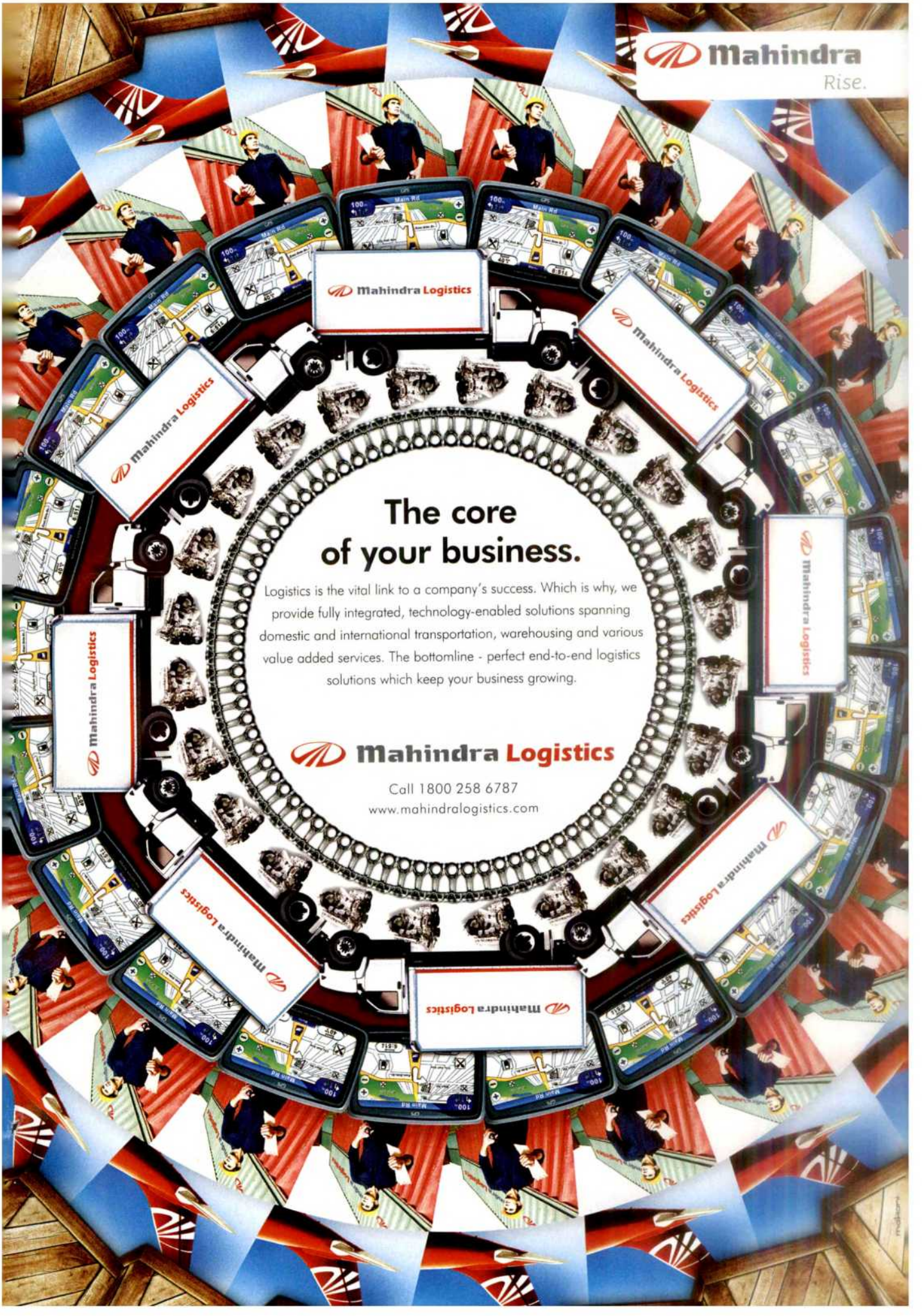
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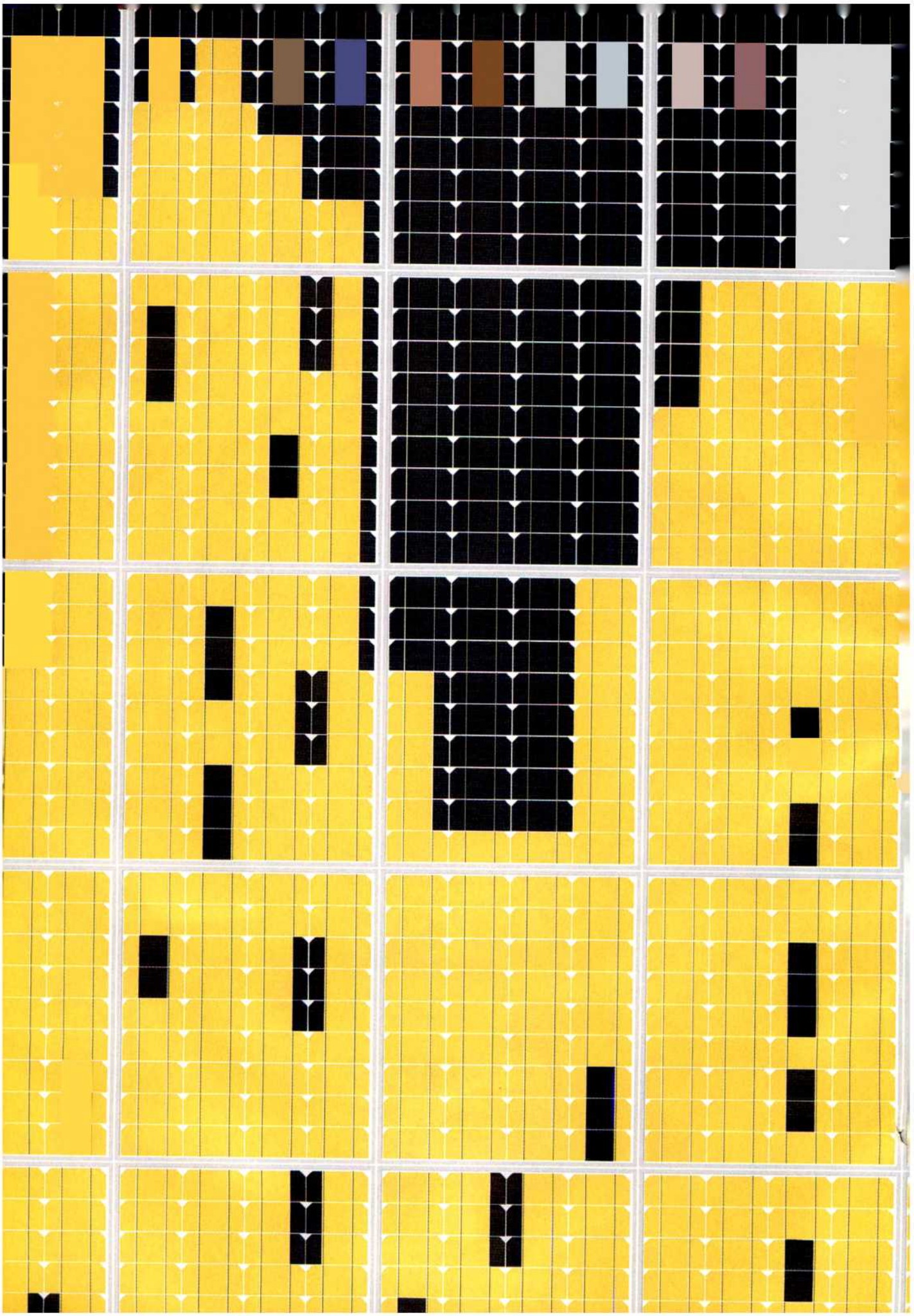

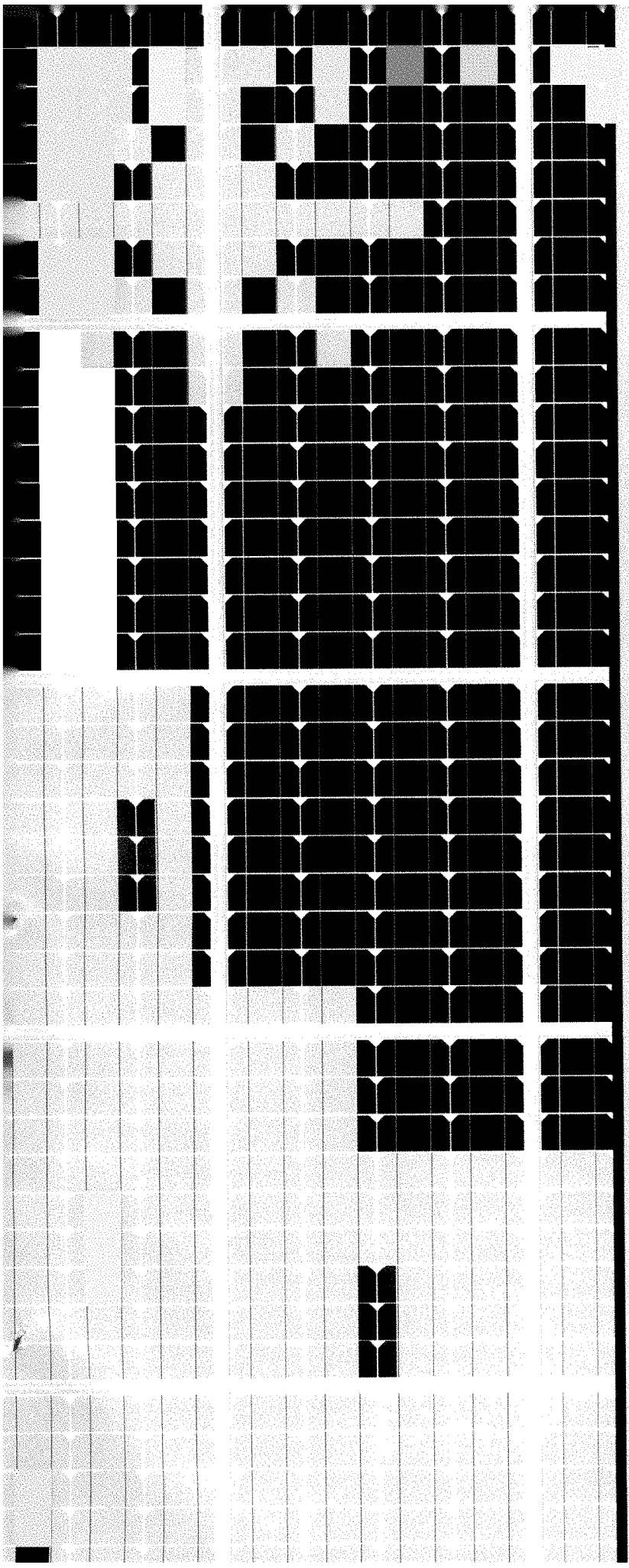

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SHEKHAR GHOSH

Monsoon Worries: The monsoon's worst start in three years is threatening crops from rice to sugarcane. Rainfall from June to September, which accounts for 70 per cent of total precipitation, may be below normal this year. Any shortfall will hit the economy hard. Farm output accounts for 15 per cent of India's GDP. And food prices have a weightage of about 14 per cent in the inflation basket.

Corporate

In a setback to **West Bengal Chief Minister Mamata Banerjee**, the Calcutta High Court has struck down the Singur Land Rehabilitation and Development Act, terming it "unconstitutional and void". The legislation was enacted by the state government to return part of the land acquired from "unwilling farmers" for Tata Motors's Singur plant. The battle between Tata Motors and the West Bengal government will now move to the Supreme Court.

The good times are a distant memory for **Kingfisher Airlines**. Lessors have taken back more than 30 aircraft from the airline after it failed to clear its dues. Kingfisher had 64 aircraft in November 2011. The airline, which has accumulated losses of over ₹7,500 crore, is also witnessing an engineer exodus.

CARICATURES BY SANTOSH

- Oil marketing companies have cut petrol prices after a cooling in global crude prices. The price reduction will vary from ₹2.46 per litre to ₹3.22 per litre, depending on local taxes. On May 23, the price of petrol was hiked by ₹7.54, the steepest hike the country has ever seen.

- Himachal Pradesh strongman Virbhadra Singh is the latest politician to be laid low by graft charges. Singh quit as Union Micro, Small and Medium Enterprises Minister after a Shimla court framed corruption charges against him and his wife, Pratibha Singh. He is the third central minister to resign following corruption charges, after A. Raja and Dayanidhi Maran, both from Tamil Nadu.

Shareholders of **Sterlite Industries (India)** and **Sesa Goa**, both subsidiaries of the **Anil Agarwal**-promoted **Vedanta Resources**, have approved their proposed merger. A new entity, Sesa Sterlite, will be created after

the merger. The restructuring will reduce the debt burden of the London Stock Exchange-listed Vedanta by about 61 per cent to $3.8 billion. Its debt service liability will come down to $180 million from $500 million. Still, Sesa Sterlite will have a total debt of about $14 billion.

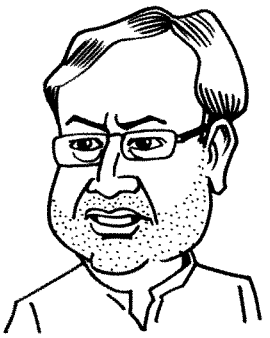
- Google will start selling its first tablet, Nexus 7, from mid-July. The company is hoping to take on Apple's iPad and Amazon's Kindle Fire tablets. Nexus 7, built with hardware maker Asustek, has been priced at $199.

- Rupert Murdoch has given in to shareholder concerns and decided to split News Corp into two companies. One will comprise its struggling newspaper and book publishing businesses while the other will consist of the faster-growing entertainment operations.

- Moody's has downgraded 15 of the world's biggest banks, including Morgan Stanley. It has lowered their credit ratings by one to three notches to reflect the loss risks they face from volatile capital market activities.

Economy

Prime Minister Manmohan Singh has taken charge of the Finance Ministry after Pranab Mukherjee resigned to contest presidential polls. Singh has set himself the task of reviving the "animal spirits" in the economy and put it back on track. An economist by training, the Prime Minister will look to attract capital flows, revisit aggressive tax enforcement, and turn the fortunes of the mutual fund and insurance sectors around.



Mamata Banerjee can learn a trick or two from **Nitish Kumar**. The **Bihar Chief Minister** has managed to get the Centre to double the state's special assistance package for the 12th Five Year Plan (2012-17) to ₹20,000 crore. Bihar's annual plan for 2012/13 has been finalised at ₹28,000 crore, a hike by 30.9 per cent over the last financial year. Kumar also secured a nod for a Delhi Metro-like urban rail network for Patna.

The government has allowed public sector oil companies to **import crude oil from Iran**, provided Iranian suppliers arrange for shipping and insurance. This follows a decision by European insurers to deny cover to vessels carrying Iranian cargo, from July.

$10 billion

The new external commercial borrowing cap for manufacturing and infrastructure companies, within the overall ECB ceiling of $30 billion, is expected to spur investments.

₹1,969 cr

Digital media share of advertising in 2012. This compares with ₹1,841 crore for outdoor advertising and ₹1,618 crore for radio.

$5 billion

Coca-Cola's promised investment in India by 2020. The world's biggest beverage maker wants to expand capacity and improve distribution. India was the seventh-largest contributor to its sales volume in 2011.

Markets

The RBI has increased the ceiling on investments in government bonds by long-term foreign institutional investors such as sovereign wealth funds and multilateral agencies by $5 billion to $20 billion. It has also allowed Indian companies to make overseas borrowings of up to $10 billion to refinance rupee loans. The moves are aimed at arresting the fall of the rupee, which has slid by more than 21 per cent against the dollar over the last year.

The **Securities and Exchange Board of India** has made it simpler for promoters of listed companies to dilute their stakes through a share auction mechanism. All listed entities are required to have a minimum public holding of 25 per cent by August 2013.

Coming Up

- The Commerce Ministry is drawing up a new strategy to achieve exports of $500 billion by 2013/14. The African continent is being targeted as it has shown resilience despite global turmoil. Shipment of about 200 products, including fruits and vegetables, textiles and drugs, will be prioritised.

- Market leader Maruti Udyog is all set to roll out its latest 800cc model. It will be more expensive than the company's bestselling Alto model, which is priced at ₹2.40-3.43 lakh. The new car, touted as being more fuel efficient than the Alto, is expected to hit the market by Diwali.

FOCUS

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Rebuild Brand India

The economy can be revived by restoring trust, confidence and hope in the India story. By MEERA SANYAL

5.3%
India's economic growth in the fourth quarter of 2011/12, a nine-year low

In the world of global finance and economics these days, much mention is made of 'animal spirits'. Whenever I hear these words, I think of that wonderful book, *Eats, Shoots and Leaves*, and the image of a cowboy Panda comes to mind.

In many ways the issues facing the Indian economy – stagflationary conditions, depressed stock markets and the depreciating rupee – are driven by the very same animal spirits, which in my view are Trust, Confidence and Hope.

As these ebb, our problems mount, but if they can be restored, the Indian economy, with its great underlying strengths, could become a beacon of hope in an otherwise bleak global environment.

The Indian spring, the anti-corruption agitation that galvanised the entire nation through 2011, demonstrated the deficit of

Trust that people have in our political leadership, cutting across party lines.

The deadlock in Parliament, with the ruling coalition and Opposition at loggerheads on every major issue has led to a crisis of Confidence. Business and investor sentiment has been affected by the regulatory uncertainties, stalled public investments in infrastructure, problems with land acquisitions and overall lack of cohesive policy reform. The hope that despite all these hurdles the India Growth story will continue unabated has deadened, as headwinds from the global economy, affect India through trade and capital channels.

The investment boom in India during the 2004-2008 period coincided with a very supportive global growth environment – lax monetary conditions, buoyant capital markets and high investor risk appetite. This allowed for significant asset market buoyancy. For India, this was visible in the form of large capital inflows through portfolio investments and external commercial borrowings, which in turn allowed for sharp rupee appreciation and a multi-year bull run in the stock market. These conditions allowed Indian companies to finance investments easily and raise capital, both via equity and debt, at very low cost.

However, the recent escalation of the euro zone sovereign crisis has resulted in severe investor risk aversion and a flight of capital to perceived safe havens such as the United States. As a consequence local stock markets have fallen sharply and the rupee has depreciated to a lifetime low against the US dollar.

This combination of circumstances has hit the Indian corporate sector hard. The cost of dollar-denominated debt has gone up with acute rupee weakness. With local interest rates having risen sharply on the back of rising policy rates, a rising fiscal deficit and tight liquidity conditions, the cost of local debt has also increased. At the same time the weakness in local stock markets has made access to equity capital more difficult.

In a nutshell, the key enabling conditions that enabled the private investment boom in India during 2004-2008 have been reversed.

Should the euro contagion spread rapidly to the other PIIGS (Portugal, Italy, Ireland, Greece and Spain) nations, there could be a sudden and sharp contraction in risk appetite, which could lead to very large amount of capital outflows from India.

Is there a way out of this situation? I believe there is. The drivers of growth in India are fundamental and strong. What we need is a revival of Trust, Confidence and Hope.

The onus of getting the Indian economy back on track lies with our political leaders – both the ruling coalition and the opposition.

Faced with what is possibly the worst global economic scenario since the Great Depression, it is time our leaders united in a bipartisan manner to do what is right for the country rather than focus on their (re)election prospects.

A few strong signals would send the message both internally and externally that India is back in business. For example :

- The passage of the Lokpal Bill, backed further by an anti-bribery and corruption legislation could start restoring citizens' Trust in their elected representatives.
- Bipartisan support to measures that curb the fiscal deficit (such as an increase in diesel prices) and prioritising the passage of economic bills that have been long pending such as the Goods and Services Tax bill would go a long way in bringing back Confidence.
- Measures to fix supply side bottlenecks in the infrastructure sector and the farm sector and a revival of stalled public investment projects would give Investments a much needed boost.

Will this be sufficient to withstand the impact of the global economic tsunami that could soon be upon us?

Let us hope for the best. It is only if we swiftly restore these three powerful animal spirits, that we can begin to trust that Confidence will restore the India growth story and help battle global headwinds. ◆

The author is Country Executive and Chairperson India, The Royal Bank of Scotland N.V.

SANYAL'S TAKE

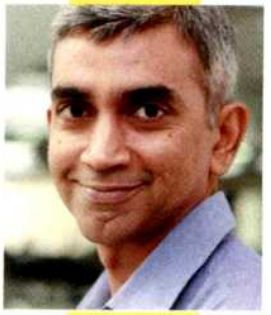
Onus is on the political class to put the economy back on track

Ensure passage of the Lokpal Bill to restore citizen's trust in elected representatives

Support measures to curb fiscal deficit, eschewing politics

Prioritise the passage of long pending economic bills

Fix supply side bottlenecks in infrastructure and farm sectors



Cry, The Beloved Economy

Pranab Mukherjee has been the worst finance minister since the economy was liberalised in 1991

A 2007 conversation with an MP from the Communist Party of India (CPI) showed how the messenger is sometimes of more consequence than his message. After a number of weak arguments to explain why the Communists were opposing a proposal by then Finance Minister P. Chidambaram, the MP finally said: "We don't trust anything coming from Chidambaram." This was during the United Progressive Alliance's (UPA) first term, when the Communists were officially supporting the ruling coalition.

When Pranab Mukherjee, a consummate politician, took over as Finance Minister in January 2009 – following Chidambaram's move to the Home Ministry – it was hoped that he would provoke less hostility than his predecessor and thus be more effective. The air of expectancy remained when he was reappointed in May with the UPA beginning its second term: four months had been too short for him to get things moving. But three years later, all hopes have been belied.

As Mukherjee looks to shift further up Raisina Hill, from North Block, which houses the finance ministry, to Rashtrapati Bhavan, the economy is going downhill. It is not just that his tenure was unremarkable, it was very disappointing even given the fact that the entire government has been under-performing.

The most important economic reform India needs today is a transition to the Goods and Services Tax (GST). A situation which called for a skillful politician like Mukherjee to soothe the states apprehensive about agreeing to amend parts of the Constitution that guarantee them a monopoly over some kinds of taxes.

But Mukherjee the politician failed GST. Hopes of a quick transition to GST died one evening in January 2010. Sullen finance ministers of states spilled out of the finance ministry after a meeting with Mukherjee, complaining he did not seem to listen to them. Indeed the symbolism of that evening was appropriate. The finance ministers left through the gate leading to New Delhi's historic Rakab Ganj Gurudwara, believed to have been built on the spot where the martyred ninth guru of the Sikhs, Guru Tegh Bahudur, was cremated. The GST proposal seemed to have been martyred too.

To be fair to Mukherjee, he took office at a difficult time. The fallout of the financial crisis in the developed economies had made economic management challenging. No doubt the Indian economy had revived by then, but that was only due to the stimulus provided by the government to combat the

Mukherjee's Missteps

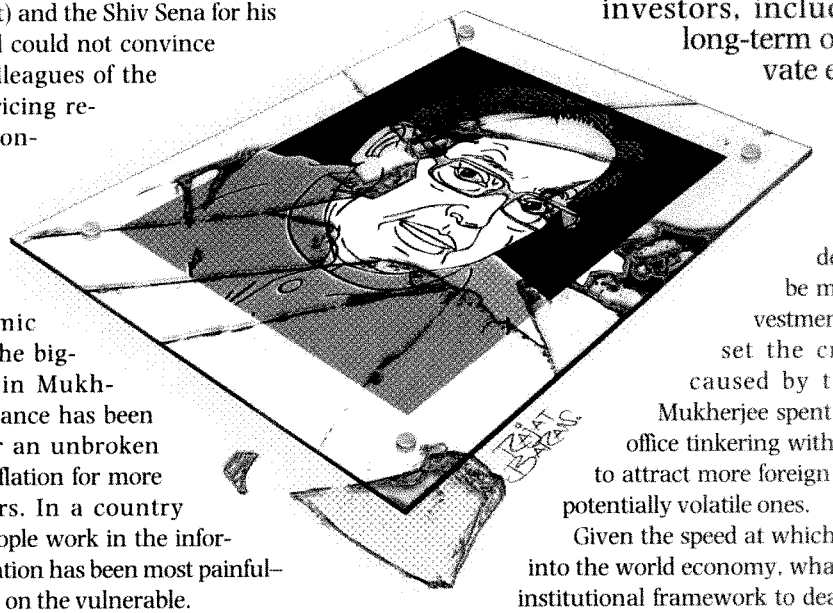
Unable to reach a consensus with the states on the Goods and Services tax

Presided over an unbroken spell of high inflation for two years

Delayed withdrawing fiscal benefits

global downturn. However, global crude prices were low, just $58 a barrel that month. This was perhaps the best time to push for some reforms in India's complex state-dominated oil economy. (By the time Mukherjee presented his last Budget in March 2012 crude prices had more than doubled.)

Mukherjee, who is celebrated for his phenomenal memory, couldn't have forgotten Y.B. Chavan. Chavan was India's finance minister when Mukherjee first became union minister in February 1973. Presenting the 1974 budget in the shadow of the first global oil crisis, Chavan had the courage to kick off far-reaching reform in India's direct taxes by slashing the peak rate to 77 per cent from a whopping 97.5 per cent. Mukherjee had a good platform to reform the oil pricing mechanism and partially insulate the economy from future oil crises. Yet the politician who could win the support of both the CPI (Marxist) and the Shiv Sena for his presidential bid could not convince his cabinet colleagues of the need for oil pricing reforms. The economy remains vulnerable for it.



More than slowing down economic momentum, the biggest blemish in Mukherjee's performance has been presiding over an unbroken spell of high inflation for more than two years. In a country where most people work in the informal sector, inflation has been most painful– a regressive tax on the vulnerable.

During the early part of Mukherjee's tenure, the economy, propped up by the stimulus, did well. In the July-September quarter of 2009, gross domestic product (GDP) grew by 9.83 per cent, suggesting it was time to re-visit the tax giveaways. **The delay in withdrawing fiscal stimulus has directly contributed to expanding the fiscal deficit and worked against the Reserve Bank of India's monetary policy measures to lower inflation by keeping interest rates high.**

The slowing economic momentum, the fiscal mess and alarming indicators in balance of payments must have made it tough for finance ministry bureaucrats to think of nice things to say about their boss at public functions. Unsurprisingly, they resorted to inanities. Even so, a speech by Chief Economic Advisor Kaushik Basu stood out. Last December, with hope receding fast, Basu praised Mukherjee as one of the few finance ministers in the world who knew the difference between capital-output ratio and incremental capital output ratio. He could hardly have discussed Mukherjee's handling of the economy, which has been so dismal that Israel's finance minister, Yuval Steinitz, who was in the audience listening to Basu, may have wondered if his country would soon replace India as the 'I' in BRICS.

The economy has been plagued by muddleheaded policy. Under Mukherjee, different wings pulled in different directions. **In his last budget in March, Mukherjee proposed tax policies, including retrospective amendments, which seemed designed to frighten away foreign investors, including relatively long-term ones such as private equity funds.** The timing was awful as India was on the verge of running up its largest ever current account deficit and needed to be mindful of foreign investment. Almost as if to offset the credibility damage caused by the tax proposals, Mukherjee spent his last few days in office tinkering with the capital account to attract more foreign investors, including potentially volatile ones.

Given the speed at which India is integrating into the world economy, what it needs is a strong institutional framework to deal with the volatility that could accompany increasing integration. There cannot be an assessment of the Mukherjee era without reference to the mess he has left his ministry in. It is difficult to think of a time when morale was lower and competence perceived to be inconsequential. Bureaucrats tend to blame Mukherjee's adviser, Omita Paul, for the mess. Paul's seemingly arbitrary exercise of power, which flowed from Mukherjee, was often blamed. However, an adviser can only be as powerful as the minister wants. The rot starts at the top.

When Samajwadi party chief, Mulayam Singh Yadav, announced he would back Mukherjee's bid for presidency – and thereby virtually guaranteed his chances of victory – he unwittingly did the economy a favour. ◆

FLOP SHOW

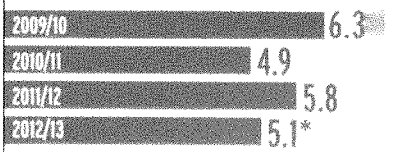
Pranab Mukherjee's final stint as finance minister lasted a little over three years. It was a stint he is unlikely to recall with pride. Coinciding with two global downturns which came in rapid succession, it saw India's growth slip badly. The rupee too fell steeply, industrial production headed for stagnation, the fiscal deficit and current account deficit soared, while inflation refused to be tamed. A look at key economic indicators during the Pranab era:

Text by **Sanjiv Shankaran**
Graphic by **Santosh Kushwaha**
Data source: CSO, RBI

We are now at a juncture when it is inevitable to take some hard decisions

Pranab Mukherjee on April 20, 2012, in the US

FISCAL DEFICIT IS UNSUSTAINABLE

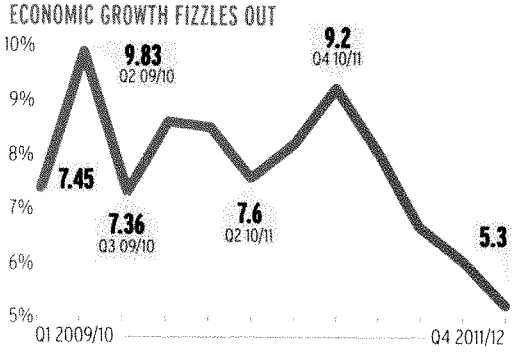


Figures are per cent of GDP
*Projected

The first challenge is to lead the economy back to the high GDP growth of nine per cent per annum at the earliest

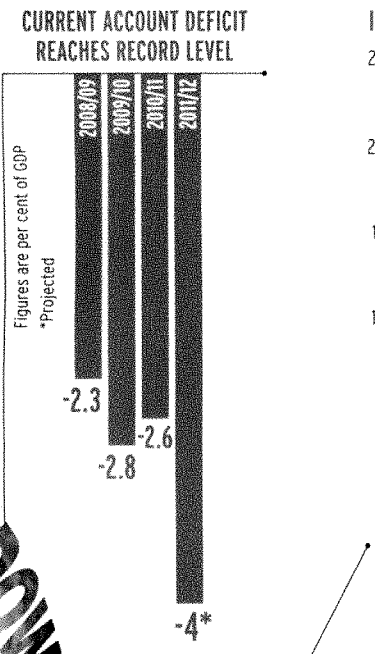
Pranab Mukherjee on July 6, 2009, setting the context for his first UPA-II Budget

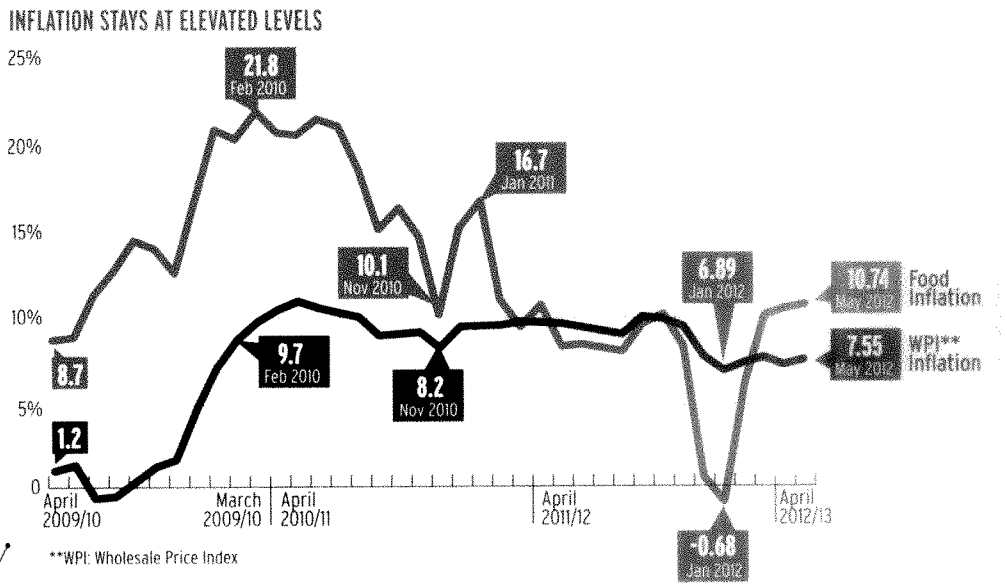
ECONOMIC GROWTH FIZZLES OUT



Our growth in 2010/11 has been swift and broadbased. The economy is back to its pre-crisis growth trajectory

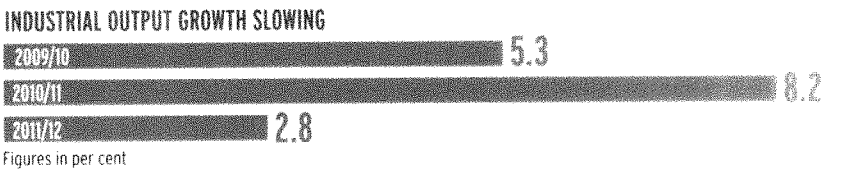
Pranab Mukherjee on February 28, 2011





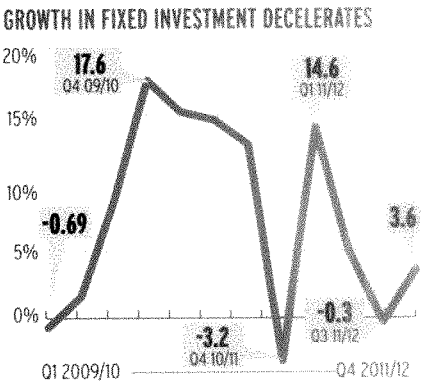
We have to sort out our own problems

Pranab Mukherjee on June 12, 2012, after April industrial output falls short of expectation



PRANAB'S MISTAKES

- Waited too long before withdrawing the fiscal stimulus of 2008/09, which added to inflationary pressures
- Announced tax amendments with retrospective effect in the last Budget which spooked foreign investors
- Failed to push through any of the much-needed economic reforms



There is no doubt that Pranab Mukherjee has been a resounding failure as a finance minister and is leaving the economy in a deep crisis

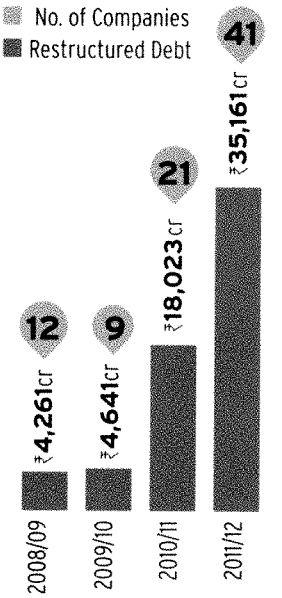
Yashwant Sinha, BJP MP and former finance minister, on June 25, 2012, in *The Economic Times*

What Lies Beneath

The surge in corporate debt restructuring could be masking a spike in banks' non-performing assets, says ANAND ADHIKARI

In September 2011, D.P. Kohli and B.S. Sawhney, promoters of the cash-strapped Koutons Retail, had plenty to smile about. A consortium of banks led by the Chennai-headquartered Indian Overseas Bank had given its assent to a ₹600 crore debt restructuring of the company. This was at a time when other discount retail chains such as Vishal Retail and Subhiksha Retail were down and out. Restructuring, a common practice globally, provides relief to distressed borrowers by extending loan tenures, putting interest payments on hold, converting debt into equity, issuing fresh term or working capital loans, and so on. In Koutons' case, the restructuring involved a moratorium on interest payments for two years and extension of the loan period, giving the Delhi-headquartered retailer a much-needed breather. But the excitement was shortlived. While the restructuring went ahead, some banks that were part of the consortium refused to make immediate interest concessions.

Restructuring Approvals



Source: CDR Cell

THE AMOUNT OF RESTRUCTURED DEBT HAS JUMPED FROM ₹4,200 CRORE IN 2008/09 TO A STAGGERING ₹35,000 CRORE IN 2011/12

A peek beneath the surface reveals that Koutons Retail is again in danger of turning into a non-performing asset (NPA). Its losses have risen to over ₹500 crore in the last two years. The promoters' stake has been reduced from nearly 70 per cent five years ago to around 11 per cent by March 2012. Auditors are seeking information on the accounts and operational details of 600 of its 900 stores. In April, the National Stock Exchange suspended trading in its stock for non-compliance with provisions of the listing agreement. Koutons' share price, which crossed the ₹1,000 mark in February 2008, is languishing at around ₹8 today. Its market capitalisation has shrunk from ₹3,000 crore in 2008 to ₹20 crore now.

Given this sorry state, it is hard to comprehend why the consortium of banks agreed to restructure the debt of a company on the verge of a collapse.

The Koutons fiasco actually points at a bigger malaise. "The purpose of a CDR (corporate debt restructuring) is to provide a helping hand to promoters of fundamentally viable businesses," says the chairman of a public sector bank. But the sudden spurt in restructuring cases suggests that many Indian banks are desperate to restructure assets in order to avoid NPAs. If an asset is declared to be non-performing, it forces the bank to increase provisioning and lowers profits in its books. "This temporary relief is actually hiding potential NPAs in the banking sector," says an analyst with the brokerage division of a large domestic bank.

Analysts say the statistics reveal a worrying trend. The number of restructuring exercises approved by banks has jumped from nine in 2009/10 to 41 in 2011/12. Restructured debt has jumped from ₹4,200 crore to a staggering ₹35,000 crore over the same period (see *Restructuring Approvals*).

Credit rating agency CRISIL estimates that banks' NPAs will rise from around 2.3

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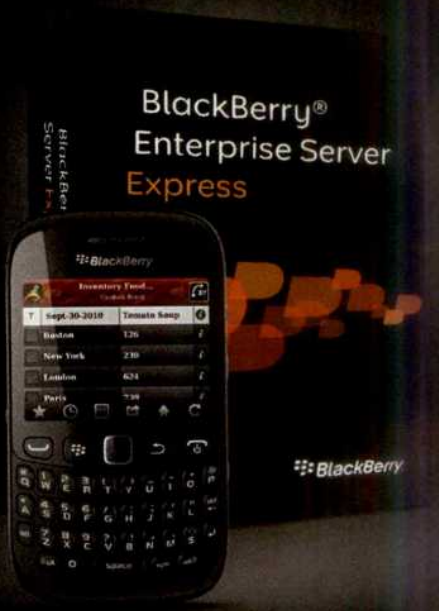

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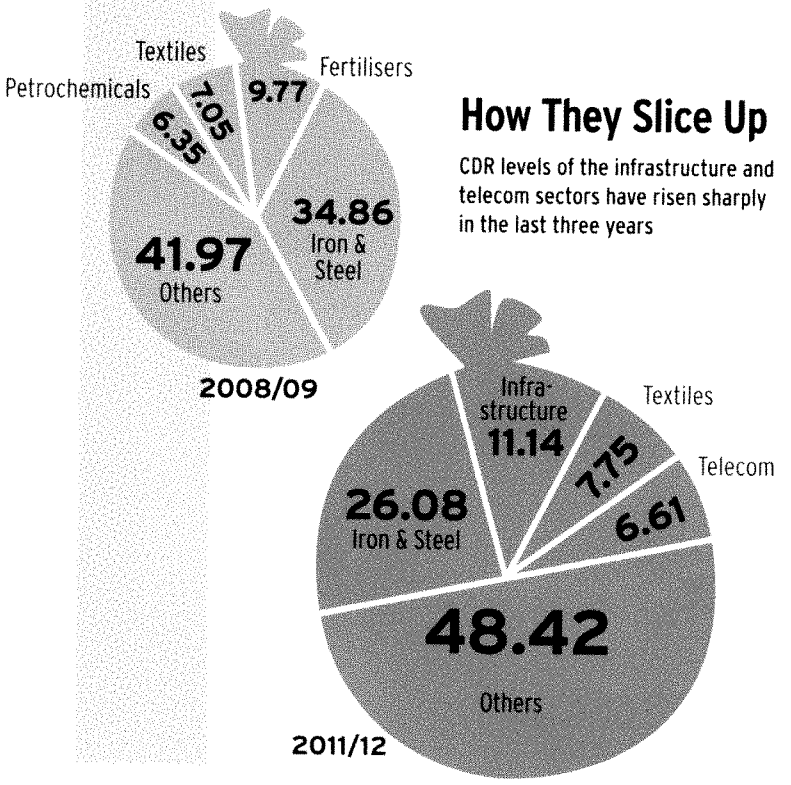
BHARATI SHIPYARD	HOTEL LEELA	KS OILS	3I INFOTECH
One of India's largest ship builders, Bharati Shipyard has got the nod from its lenders to convert part of its ₹2,300 crore loan into equity capital	The luxury hotel chain, which has borrowed ₹4,300 crore, has received approval from banks to extend the tenure of its loans	The edible oil maker has a term loan of ₹2,450 crore. It will also convert a part of its working capital borrowings into a term loan	The information technology firm has a loan of ₹2,080 crore. It has wangled a two-year moratorium on repayment of the term loan

per cent in 2009/10 to 3.2 per cent by 2012/13, crossing the ₹2 trillion mark (one trillion equals 100,000 crore). "A ratio below one per cent is considered ideal. The NPAs could rise to 3.5 per cent if the economic environment weakens further," says Suman Chowdhury, CRISIL's director for financial sector ratings. The Reserve Bank of India (RBI) fears a further deterioration. In its fifth financial stability report, released on June 28, the RBI says bad loans could rise to 4.6 per cent in a severe risk scenario.



How They Slice Up

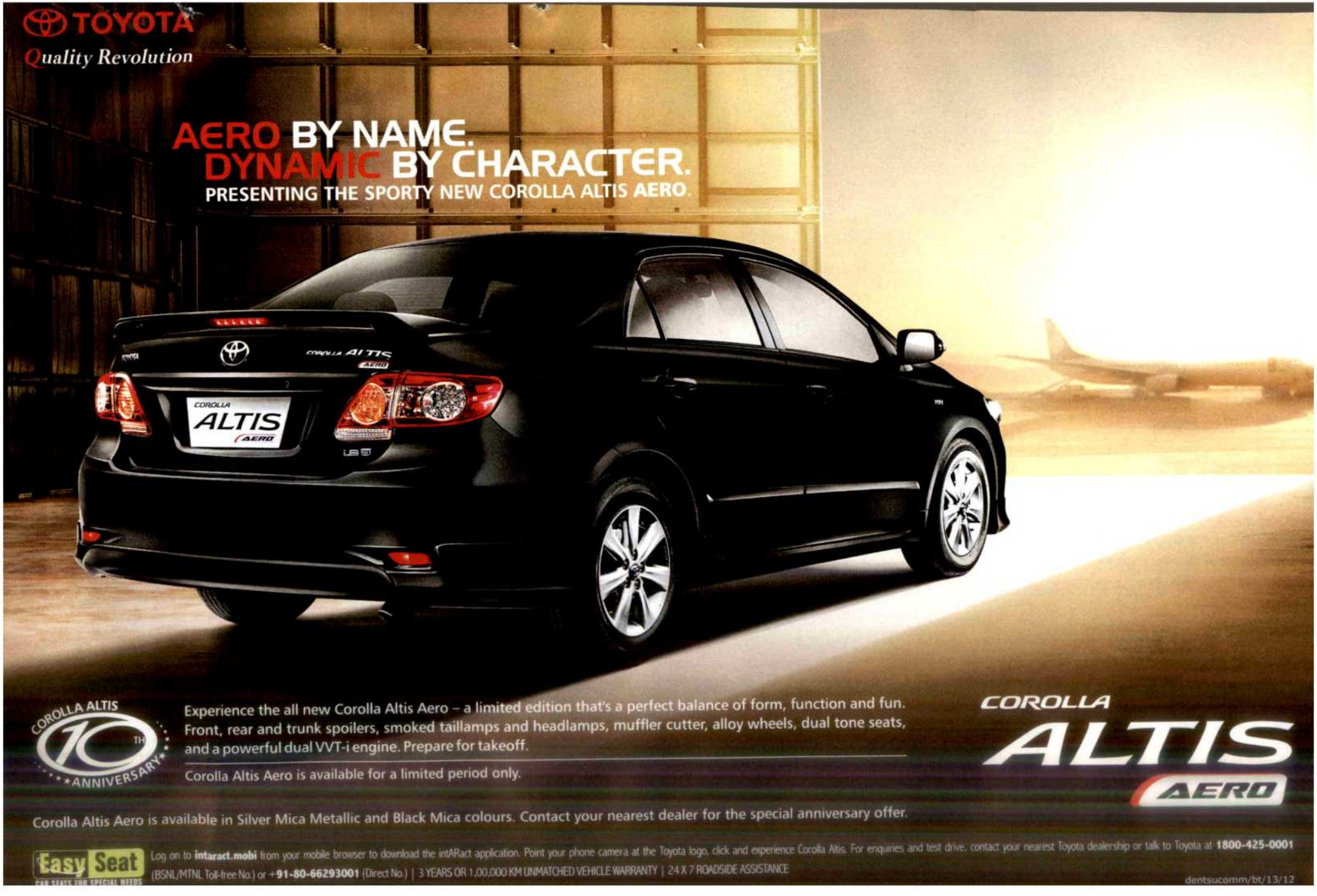
CDR levels of the infrastructure and telecom sectors have risen sharply in the last three years

Recovery of any debt is directly linked to the economic environment, and the prevailing climate is far from conducive for that. The slowdown has hit just about every sector hard. Retail is being forced to come to terms with the mindless expansion and over-leveraging of the boom period. Telecom is caught in a web of falling tariffs, scams and high spectrum costs, while high crude oil prices have compounded the aviation sector's woes. The story is pretty much the same in real estate, engineering, infrastructure, steel and textiles (see *How They Slice Up*).

When *BT* quizzed State Bank of India Chairman Pratip Chaudhuri at a banking seminar recently, he offered a historical perspective. "Of the total restructured book, 18-20 per cent (generally) turns into NPAs. But every NPA doesn't translate into a loss. Our loss experience is 4-5 per cent of the book." Punjab National Bank, which had restructured assets worth ₹29,828 crore as of March 2012, saw 8.79 per cent of them turned into NPAs.

There are instances of companies successfully using corporate debt restructuring to emerge from precarious financial situations. Essar Steel, flagship of the Ruia family's Essar Group, did so in 2006. But many say that happened because of a turnaround in the commodity cycle – steel prices in Essar's case – in the early 2000 period.

This time around, with the world economy in a crisis, borrowers are unlikely to enjoy such good fortune. ◆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A Step Forward

The G20 is making fresh efforts to contain eurozone contagion.

By JAVED ANSARI

PTI

Making headway: The G20 leaders at Los Cabos

THE SUMMIT OUTLINED MEASURES TO CONTAIN EUROZONE CONTAGION WITH GERMANY, FRANCE, SPAIN AND ITALY COMMITTING TO "COMMON AND ENFORCEABLE" FISCAL RULES AND A UNIFIED BANKING SUPERVISORY FRAMEWORK

At the end of the G20 meet at the Mexican resort of Los Cabos, Prime Minister Manmohan Singh had plenty to write home about. The summit declaration was a ringing endorsement of the Indian stand on a range of issues – in particular Singh's assertion that investment in infrastructure was critical for sustained growth, economic recovery, poverty reduction and job creation.

"Infrastructure investment... lays the foundation for rapid growth in the longer term, while providing immediate stimulus for economies and also for the global economy, by providing a robust source of demand," argued Singh, but cautioned that this was possible only if countries can access long-term capital to fund such investment.

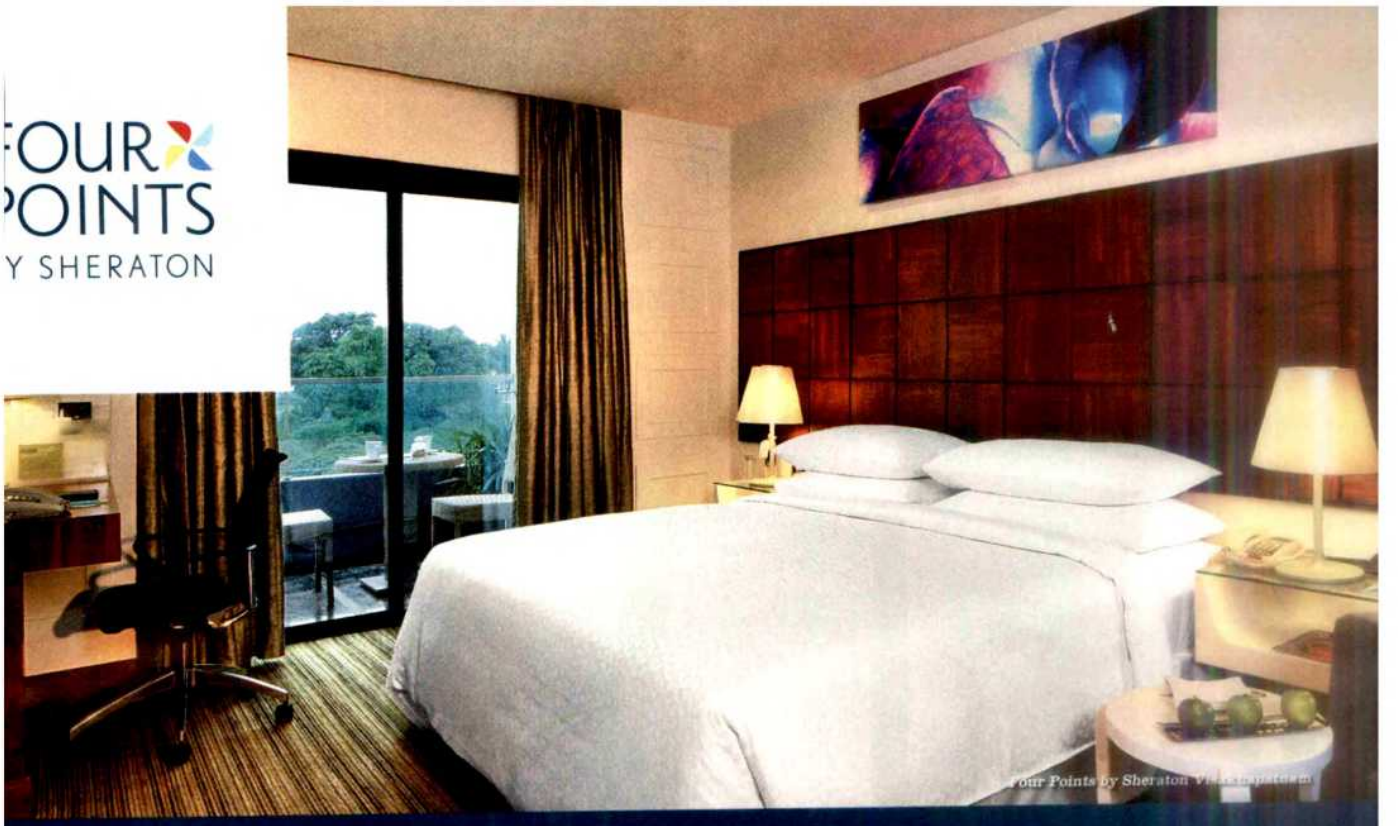
Singh underscored the need for eurozone nations to get their act together to overcome the crisis and give a fillip to the global economy. Austerity measures alone without growth will not help the ailing economies and prudent fiscal management by the debt-ridden countries must be matched by a calculated fiscal expansion by surplus nations, Singh said, clearly mounting pressure on Germany and France to take on the responsibility of stabilising the eurozone. Singh's stand found many supporters, including US President Barack Obama, German President Angela Merkel, Chinese Prime Minister Wen Jiabao and Russian President Vladimir Putin.

The summit outlined a few measures to contain the eurozone contagion with Germany, France, Spain and Italy committing to "common and enforceable" fiscal rules and a unified banking supervisory framework. According to R. Gopalan, secretary, Department of Economic Affairs, and India's chief negotiator at the summit, the concessions by the eurozone countries are the most "valuable outcome" of the meet. The Indian Prime Minister, though, admitted that recovery in Europe will be a gradual process.

India's efforts at reforming the World Bank and the International Monetary Fund also found mention in the declaration. It endorsed the IMF's reform which would give emerging countries greater voting shares. "Summit leaders have shown a commitment to take this further and with some urgency," said Gopalan.

Significantly, a Los Cabos action plan has been outlined by the leaders. It would compare the actual performance of G20 countries against policy commitments without being legally binding. ◆

FOUR POINTS BY SHERATON



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Home Run

Ikea's entry will give the economy a much-needed boost.

BY MANU KAUSHIK

It's a U-turn that promises to bring some much-needed cheer to the Indian economy. Back in January, when the government announced that it was hiking the cap on foreign direct investment (FDI) in single-brand retail from 51 per cent to 100 per cent, Swedish homeware company Ikea decided to shun India. It was not willing to be limited by the policy's local sourcing requirements. However, on June 21, after a meeting between CEO Mikael Ohlsson and Commerce Minister Anand Sharma in St. Petersburg, Russia, Ikea said it would enter India. That U-turn, with all its ramifications, promises to bring in the largest-ever investment into single-brand retail in India.

The size of Ikea's investment alone is enough to raise eyebrows. The company plans to pour €1.5 billion (around ₹10,500 crore) into India over the next few years. Here's another number to put that in perspective: the total FDI inflow in single-brand retail between April 2000 and April 2012 was ₹204.07 crore – around €30 million.

Ikea was founded by Swedish billionaire Ingvar Kamprad in 1943 and has grown from a single outlet then to 325 stores in 40 countries today. In India, the company says it will open 25 stores, in two phases. The first ten will come up over the next decade and the remainder thereafter.

It will have to take on a handful of organised retailers, who account for less than 15 per cent of the country's home furnishing and furniture market. Pantaloon Retail's HomeTown, which has 39 stores in 17 cities, is the leader of this segment. Other prominent names include Lifestyle International's Home Centre and Shoppers Stop's Home Stop. Ikea will also have to contend with the vast informal sector, which includes local furniture and carpenter shops, and accounts for more than 85 per cent of the market.

Estimates on the highly fragmented market's size vary. According to retail consultancy Technopak Advisors, it is expected to grow from $10 billion in 2009 to $15 billion by 2014. Companies such as Lifestyle put the current worth of the furniture market alone at $17.5 billion. "The market is not big at the moment. If a global retailer like Ikea comes, it will only expand and redefine the market," says Future Group Chairman Kishore Biyani.

While the potential appears huge, the government's condition requiring foreign retailers to source 30 per cent of the value of their goods locally, from small enterprises, could prove a sticking point. That clause has made many global chains put off their investment plans in India. The only proposal that has come in since the government lifted the FDI cap on single-brand retail is from footwear maker Pavers England, which has announced an investment of ₹70 crore.

Ikea still has reservations about parts of the local sourcing clause. In an official statement, it has called for a clearer definition of small industries, keeping the future in mind. Currently, small industries are defined as units whose total investment in plant and machinery does not exceed ₹5 crore. In other words, Ikea would have to look for new suppliers each time one of its existing ones

breaches the investment limit, something that is inevitable in time. The Commerce Ministry, while acknowledging Ikea's reservations on sourcing, noted that officials had provided suitable clarifications to the company, leading to the investment.

India has actually served Ikea as a low-cost sourcing destination for the past three decades. The company sources $600 million worth of goods from here every year, primarily textiles and carpets, and plans to increase this to $1 billion annually. It has 70 suppliers and 1,450 sub-suppliers here supporting its global operations.

Noida-based Hanung Toys and Textiles has been associated with Ikea for more than 20 years. The toymaker currently earns about 10 per cent of its total annual revenues of ₹1,395 crore from Ikea and expects this to increase with its entry here. "Ikea focuses on the middle-class segment and has a huge potential market in India. Our business with them is growing at around 15-20 per cent every year," says Ashok Kumar Bansal, Hanung's Chairman and Managing Director.

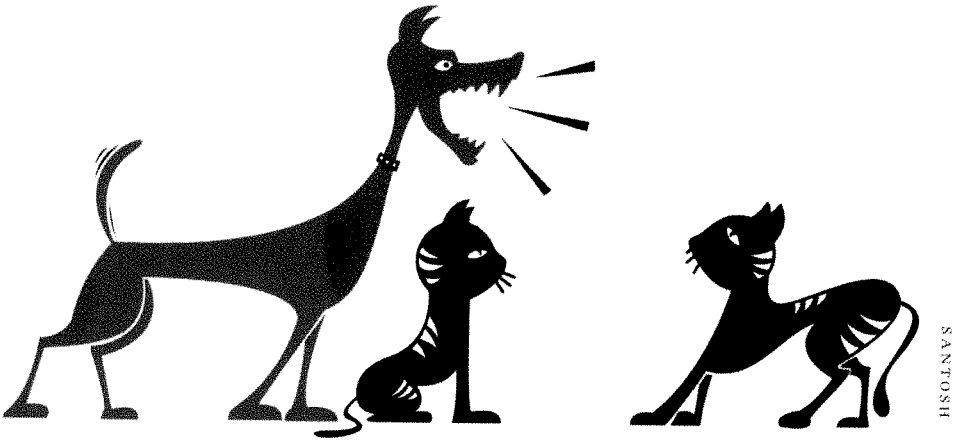
IKEA PLANS TO INVEST €1.5 BILLION IN INDIA. THE TOTAL FDI INFLOW INTO SINGLE-BRAND RETAIL IN THE LAST 12 YEARS IS AROUND €30 MILLION

Still, not everyone is enthused by the prospect of Ikea coming into India. The promoter of a Ludhiana-headquartered home furnishing unit told *BT* that while the company's entry was good for consumers, manufacturers had nothing to gain. His unit was an Ikea supplier but severed ties with the company around four years ago. "Ikea engages in predatory trade practices," he alleges, speaking on condition of anonymity. "In the first year, they offer excellent margins. In subsequent years, the margins reduce to a level that turns a unit into an unprofitable venture." Even Bansal concedes that margins from the Ikea business are lower.

But Harminder Sahni, Managing Director of Wazir Advisors, believes the company has sound reasons for its operating practices. "Ikea has been able to pass on cost benefits to consumers because it focuses on building cost efficiencies," he says. "This helps it offer its customers better designed products at prices that are very affordable. And given its sheer size, Ikea could be a game changer in India." ◆

Yes, It Bites

The competition watchdog's crackdown on cement makers is justified, though some say it plays favourites. By MANU KAUSHIK



SANTOSH

The Competition Commission of India (CCI) recently issued orders against 11 cement companies for engaging in anti-competitive practices such as forming a cartel and fixing prices. It penalised them ₹6,000 crore – half their profits for 2009/10 and 2010/11. This is the highest fine imposed by the competition watchdog, which was set up in 2003 but started accepting cases only about three years ago. CCI, which replaced the Monopolies and Restrictive Trade Practices Commission, is far more powerful. It found that the cement makers operated below capacity to curb supply and raised prices when demand was high.

Most of these companies plan to challenge the CCI orders in the Competition Appellate Tribunal. Still, the impact could be far-reaching. According to Fitch Ratings India, the decision could result in industry consolidation. In a recent report, Fitch notes that the top five companies – UltraTech Cement, Ambuja Cements, ACC, India Cements and Madras Cements – account for over half of total capacity. It notes: "CCI orders limit coordinated supplier actions with respect to price and quantity. Smaller firms with uneconomic cost structures would become uncompetitive and face very significant deterioration in their credit profiles."

Rakesh Arora, analyst at Macquarie Capital Securities India, says regulatory interventions will reduce companies' earnings predictability.

Teena Virmani, analyst at Kotak Securities, says CCI has a firm footing in this case, as cement companies pay ₹3,000 to ₹3,300 (excluding interest and depreciation) to make a tonne of cement, while average price realisation is around ₹4,200. She says an EBITDA margin of ₹900 a tonne is exorbitant. "Even if costs have risen in the past few years, the jump in market prices has been higher," she says. "Capacity utilisation has been kept low by all companies to create an artificial shortage."

This is not CCI's first crackdown. Last year, it fined DLF Ltd ₹630 crore, saying it abused its leading position to impose unfair conditions on flat buyers. In April this year, it fined United Phosphorous and three other companies, saying they colluded while bidding for a government tender. CCI is expected to issue orders soon on tyre majors, and penalties could be three times their profits.

Industry experts say CCI has been selective. For instance, it failed to take strict action against telecommunications majors last year, when they simultaneously raised call rates by some 20 per cent for prepaid subscribers. And in December 2010, CCI sought government data to probe whether airlines have formed a cartel to raise fares, but took no action despite ample evidence.

"CAPACITY UTILISATION HAS BEEN KEPT LOW BY ALL COMPANIES TO CREATE AN ARTIFICIAL SHORTAGE"
Teena Virmani,
Analyst, Kotak Securities

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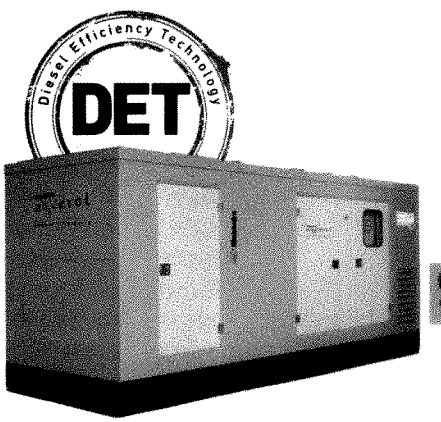

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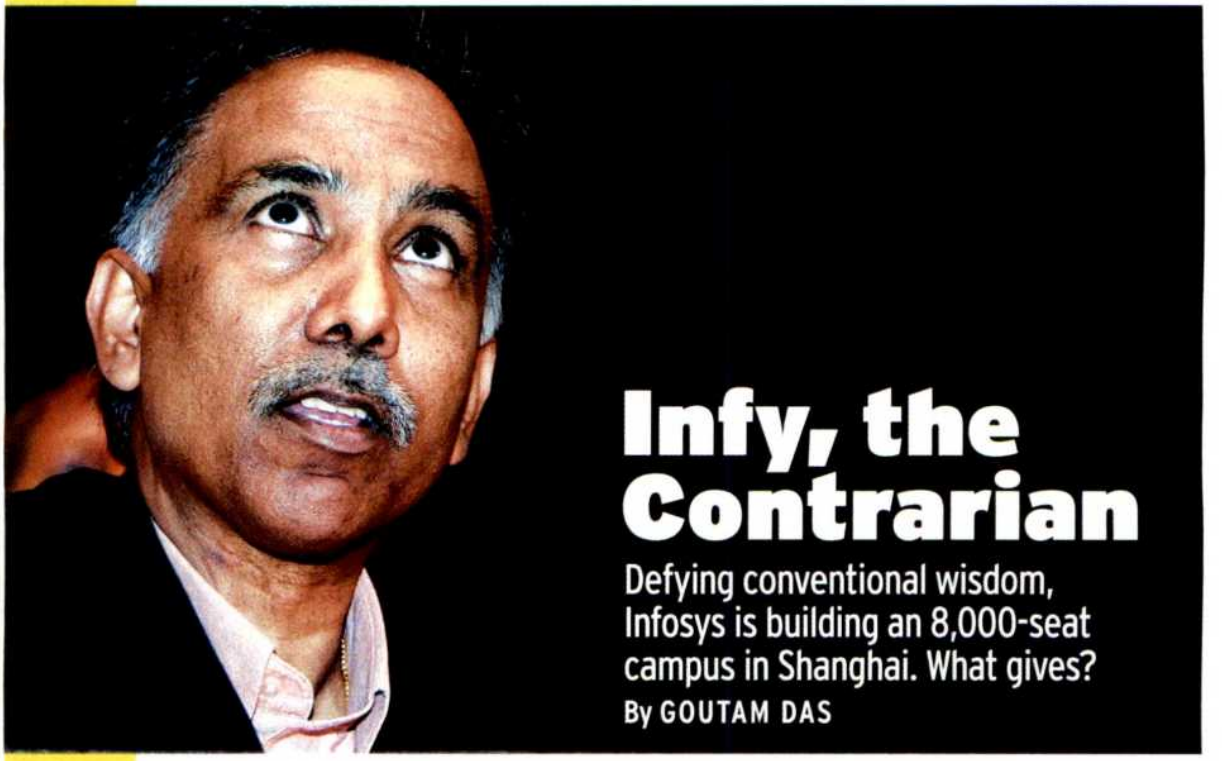

DEEPAK G. PAWAR

Infy, the Contrarian

Defying conventional wisdom, Infosys is building an 8,000-seat campus in Shanghai. What gives?

By GOUTAM DAS

Infosys, headed by S.D. Shibulal (in pic), wants to harvest the talent in China and build a large offshore development centre there

In the fall of 2011, Chandrashekar Kakal, Global Head of Infosys's Business IT Services, dispatched a planeload of executives to Shanghai. The 26 or so vice-presidents and senior vice presidents were told to "review" China: tour its cities, meet the company's partners, visit other companies, and interact with Chinese engineers. Reason: Infosys has big plans for the Middle Kingdom. The company wants to harvest its talent and make it an offshore development centre. But if it is to convince its North American and European customers to use China as an outsourcing destination, its own executives need to be comfortable with the country first.

The tour came in the wake of a surprise announcement by Infosys in May 2011 that it will set up a 15-acre, 8,000-seat campus in the Zizhu Science and Technology Park in Shanghai. In another two years, the campus will become the company's largest software development centre outside India. The investment: at least $125 million. Thus far, Infosys has only operated out of offices in Shanghai, Beijing, Dalian and Hangzhou. "We are the largest among Indian (IT service) providers in China. We want to take our capacity to 10,000 in next two to three years," says Kakal.

The announcement astonished the industry. Large Indian IT firms have operated in China for almost a decade with nothing much to write home about. They have attracted little local business and only had moderate success in making the country an alternative delivery centre. TCS, India's largest IT exporter, entered China as far back as 2002 and currently has about 3,000 people there. Infosys started its China operations in 2003 and now employs 3,092 personnel. Cognizant began in 2005 and has a headcount of 900. Given this, Infosys's decision is a little hard to comprehend.

The company says it is building the Shanghai campus with an eye on the future. It wants to lock up people supply. "From a long-term perspective, we should look at alternative pools of talent. We can't depend on India for supply and the next best alternative we have is China, which produces 600,000 engineering graduates," explains Kakal. "And Greater China, Japan and Korea are best served from China."

Unlike Infosys, other companies are not as enthusiastic about China and remain unimpressed by its plans. Most believe the company will end up burning money with its Shanghai campus. They contend that although China has a large pool of engineering graduates, servicing North American customers out of that country is a difficult task. Allowing the Chinese access to intellectual property is one more concern that will weigh on clients' minds.

"China is still going through an acceptance phase in terms of being a global delivery location. To take customers from the US or Europe to China, you need to take them through a pilot phase," says R. Chandrasekaran, Group Chief Executive of Technology and Operations at Cognizant. "There is no significant push to move work to China. People are quite comfortable with India."

The reason people are still comfortable with India is costs – Chinese cities are more expensive and in a depressed economic climate, no customer is in the mood to consider more expensive locales. An engineer with three to seven years experience earns $15,000 in Bangalore but nearly $21,000 in Shanghai annually, estimates Chandramouli C.S., Director of Globalisation Advisory Services at management consulting firm, Zinnov.

HOW SALARIES STACK UP

IN SHANGHAI

Years	Minimum	Median	Maximum
0-3	7,616	9,806	17,160
3-7	14,860	21,865	33,890
7-10	24,816	36,515	54,772
10+	38,749	66,519	106,431

IN BANGALORE

Years	Minimum	Median	Maximum
0-3	4,760	6,800	10,200
3-7	10,500	15,000	22,500
7-10	18,900	27,000	40,500
10+	34,905	53,700	91,290

Figures in $ per annum for IT Services
Source: Zinnov

Infosys accepts that Shanghai is 15 per cent more expensive than other Chinese cities such as Hangzhou. "Of course, costs are slightly higher in Shanghai but the city attracts good talent. We looked at Shanghai because we can scale up here, and also because of global awareness and the city's proximity to businesses," says Rangarajan Vellamore, CEO of Infosys China.

According to a TCS executive, having one, large campus in China does not make sense because of the country's Hukou or household registration system, which seeks to stem urban migration. Among other restrictions, the Hukou system does not allow migrants access to health care benefits or education for their children. Spreading development centres across the country makes more sense, says the executive. TCS has offices in five Chinese cities.

"The strategy of building a large centre is not about the constraints of today. You have to look 10 years ahead. China is a rapidly changing country," says Vellamore. Many expect the country to relax its Hukou system soon to boost consumption in a slowing economy. Infosys is also hoping that building a campus will indicate to Chinese employees that the company is serious about its presence in the country and that they can build a career with it. ◆

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6	Boost	688
7	Cadbury Bournvita	602
8	Tang	593
9	Thums Up	593
10	Lux Toilet Soap	581
11	Cadbury Dairy Milk Chocolate	577
12	Johnson Baby-Corporate	567
13	Horlicks Chocolate	563
14	Maaza	547
15	Pure It Marvella Ro	541
16	Lifebuoy Clini-Care 10	490
17	Pepsi	483
18	Garnier Light 3 In 1	477
19	Cadbury Perk Glucose	461
20	Dettol Toilet Soaps	442

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AN AFFORDABLE ULTRABOOK AND A CAMERA THAT PUSHES THE LIMITS

Easy on the Pocket

The Acer Aspire S3 ultrabook employs the much talked-of third generation Intel Ivy Bridge processor. But that does not mean it has put on weight. It is still as slim and light as its predecessors. The arrow keys on the keyboard may be a bit smaller than on other ultrabooks, the screen with its 1366x768 resolution, a little dull. But such complaints seem minor considering the S3 is the most affordable ultrabook in India. The new 1.7Ghz i5-3317U processor also makes it a really fast machine. With super-fast video processing and imaging there will be no full stops on creativity. There are a host of security features too, which makes it a good machine for corporate users.

Long battery life
Easy to carry

Screen's low resolution
Small-sized keys on keyboard

Acer Aspire S3 **Price:** ₹51,499

Fujifilm X-Pro1 **Price:** ₹99,999

Picture Perfect

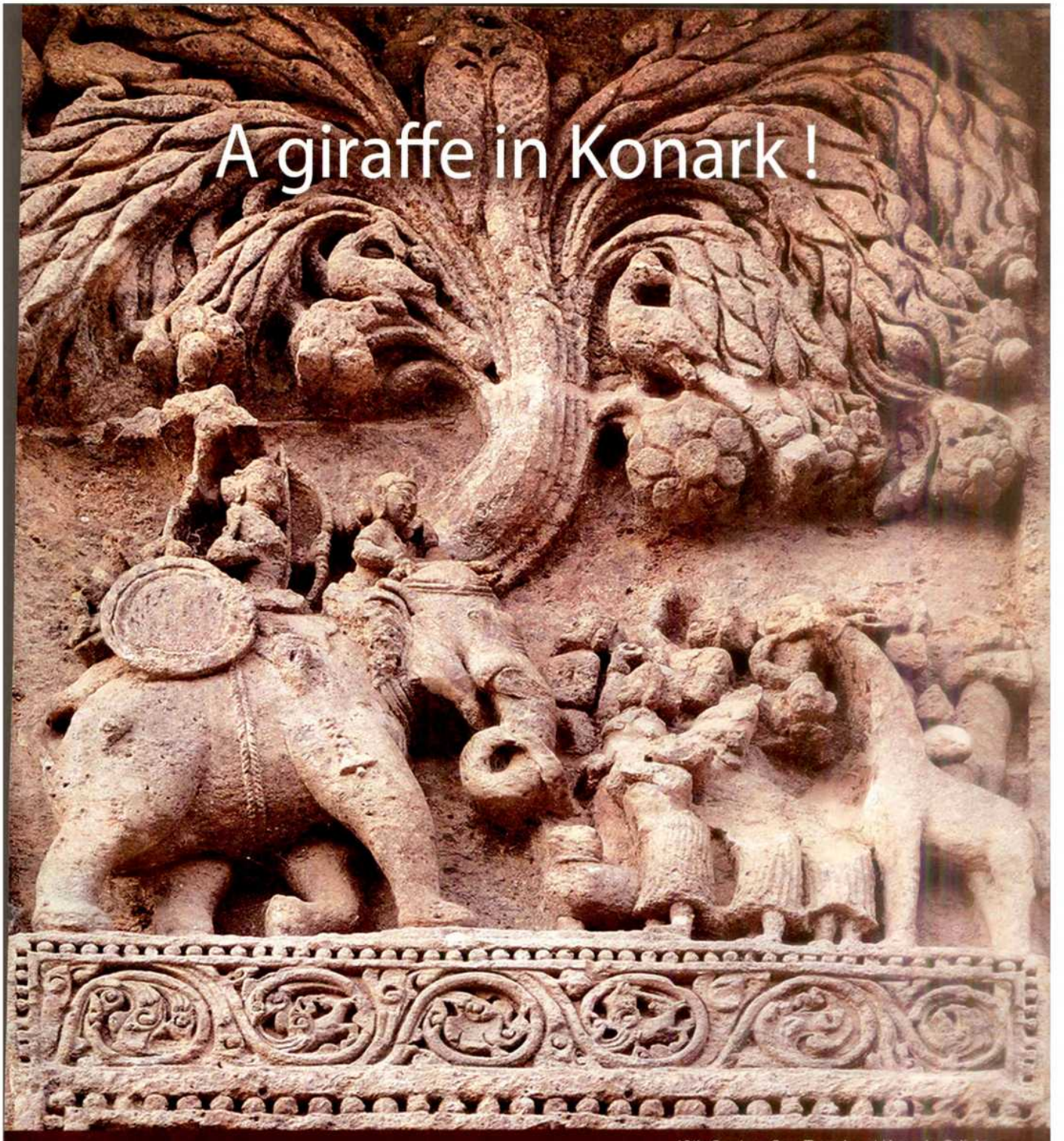
Do not let the retro look mislead you. The Fujifilm X-Pro1 is a camera that pushes the limits of compact interchangeable lens cameras. It is mirrorless, peppered with buttons and dials, and a host of built-in cutting edge features. The new X-Trans CMOS sensor, for instance, considerably reduces the 'moiré effect', improving picture quality. The colours are more lifelike. This 16 MP camera also packs more options that you would see on DSLRs. The image quality is excellent due to the specially designed FUJINON XF Lens series. It has a three-inch LCD monitor and a Reverse Galilean hybrid multi-viewfinder. Overall an excellent compact camera, if you can afford it.

NANDAGOPAL RAJAN

Versatile
Excellent picture quality

Expensive
Too many controls

A giraffe in Konark !



13th Century Sun Temple, at Konark, Odisha

The magnificent animal giraffe, found only in Africa finds a place in one of the carved panels on the southern upper portion of pista or raised plinth of the grandest architectural marvel, Sun Temple, Konark - the 13th Century World Heritage Monument. Historians opine that, either a giraffe was brought alive by sea from Africa to Odisha or a few giraffes were brought to India, bred in a royal park somewhere and the king acquired one.

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"The market is disappointed... This creates an impression that the RBI is comfortable with a relatively depreciating rupee rather than initiating action to make it appreciate"

Samiran Chakraborty, *Head of Research (India), Standard Chartered Bank, on* CNBC TV18

"These measures will help enhance capital inflows into the country. They will also have some effect on the rupee"

C. Rangarajan, *Chairman, Prime Minister's Economic Advisory Council, to wire agencies*

"We have seen great FII flows in equities so far. These measures are to encourage inflows in debt as well, because this will give an opportunity to companies to access cheaper foreign funds"

Thomas Mathew, *Joint Secretary in Ministry of Finance, in* Business Standard

"THE RISK TAKING CAPACITY OF THESE (FOREIGN) INVESTORS WOULD HAVE TO BE SEEN AND, MORE IMPORTANTLY, ALSO THE SIZE OF INVESTMENT THEY WOULD MAKE HERE"

D. K. Joshi, *Chief Economist, Crisil, in* The Pioneer *on RBI hiking FII limit in sovereign bonds*

"We were hoping for a broad-based set of strong actions as well as policy reforms that could have a positive bearing on the overall environment"

R. V. Kanoria, *President, FICCI, in* The Pioneer

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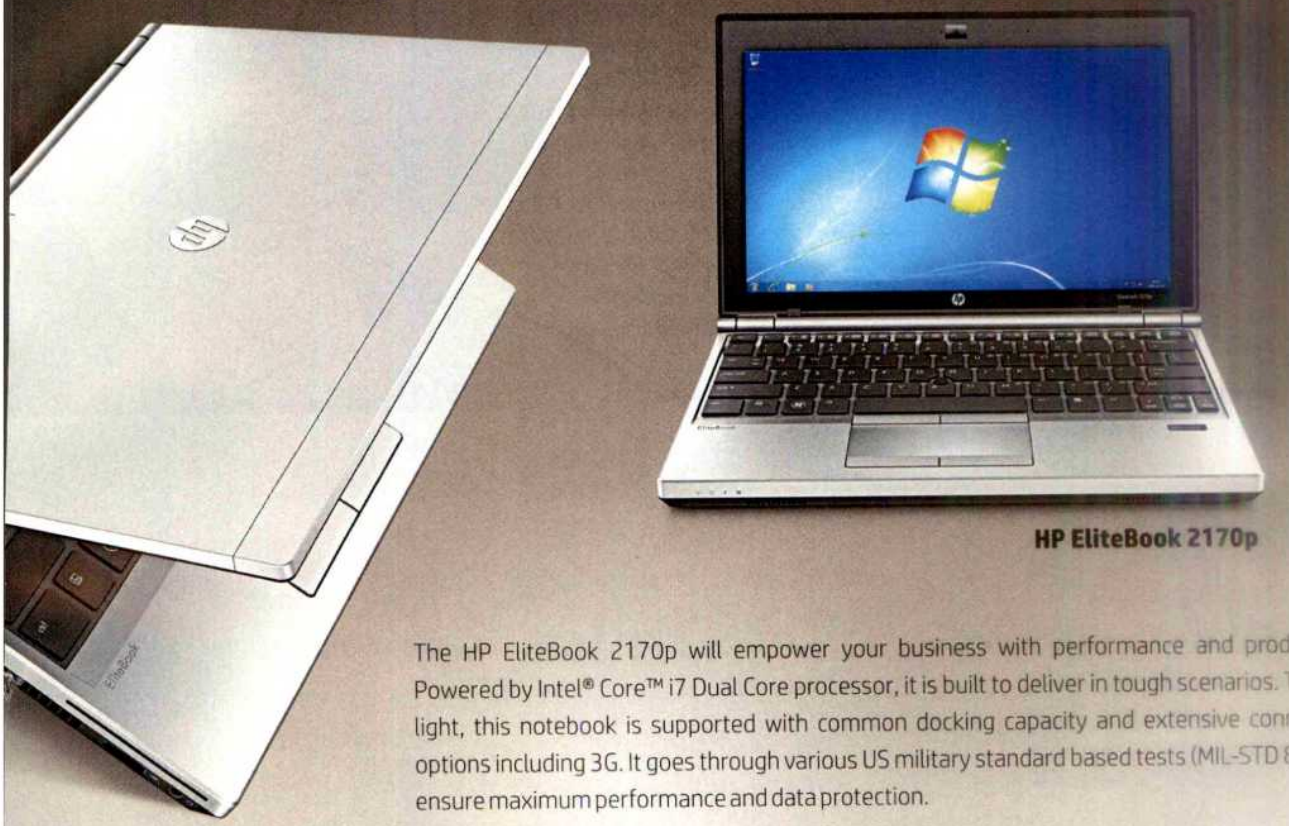

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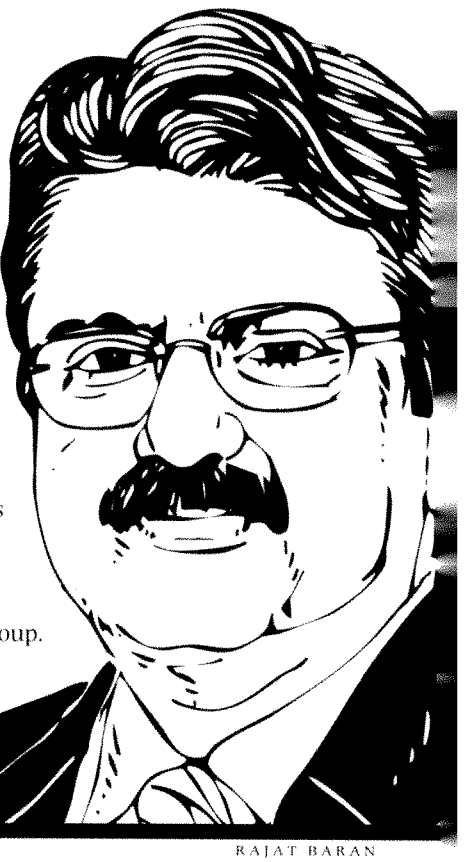
DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*



RAJAT BARAN

Piramal Healthcare Ltd, headed by **Ajay Piramal**, completed the acquisition of US-based Decision Resources Group (DRG) for $635 million (₹3,518.5 crore). The company has bought DRG from Providence Equity Partners Inc. and will now operate it as a stand-alone business. DRG was valued at four times its annual revenue and the acquisition was funded by a mix of debt and equity. DRG will remain headquartered in Burlington, Massachusetts and be led by its existing management team.

DRG is a provider of web-enabled research and predictive analysis through proprietary databases and consulting services to the global health care industry. The company is focused on three market segments – biopharma, market access and medical technology.

Piramal Healthcare is a flagship company of the Piramal group. It aims to be the first Indian company to develop and launch its own new chemical entity drug in the global market. The DRG acquisition is part of Piramal's strategy to invest in intellectual property in the healthcare space.

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BHARTI AIRTEL LTD
DEAL VALUE (₹ CR)
914.2

TARGET
THOMAS COOK (INDIA) LTD
ACQUIRER
FAIRBRIDGE CAPITAL
DEAL VALUE (₹ CR)
817.4

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
Future Capital Holdings Ltd	Warburg Pincus India	663.0
Unnamed listed NBFC	International Financial Corporation	415.5
Avesthagen	Equity Partners Fund	332.4
Pubmatic Inc.	August Capital Partners	249.3
Coalition Development Ltd	CRISIL Ltd	246.5
Komli Media	Norwest Venture Partners	216.0

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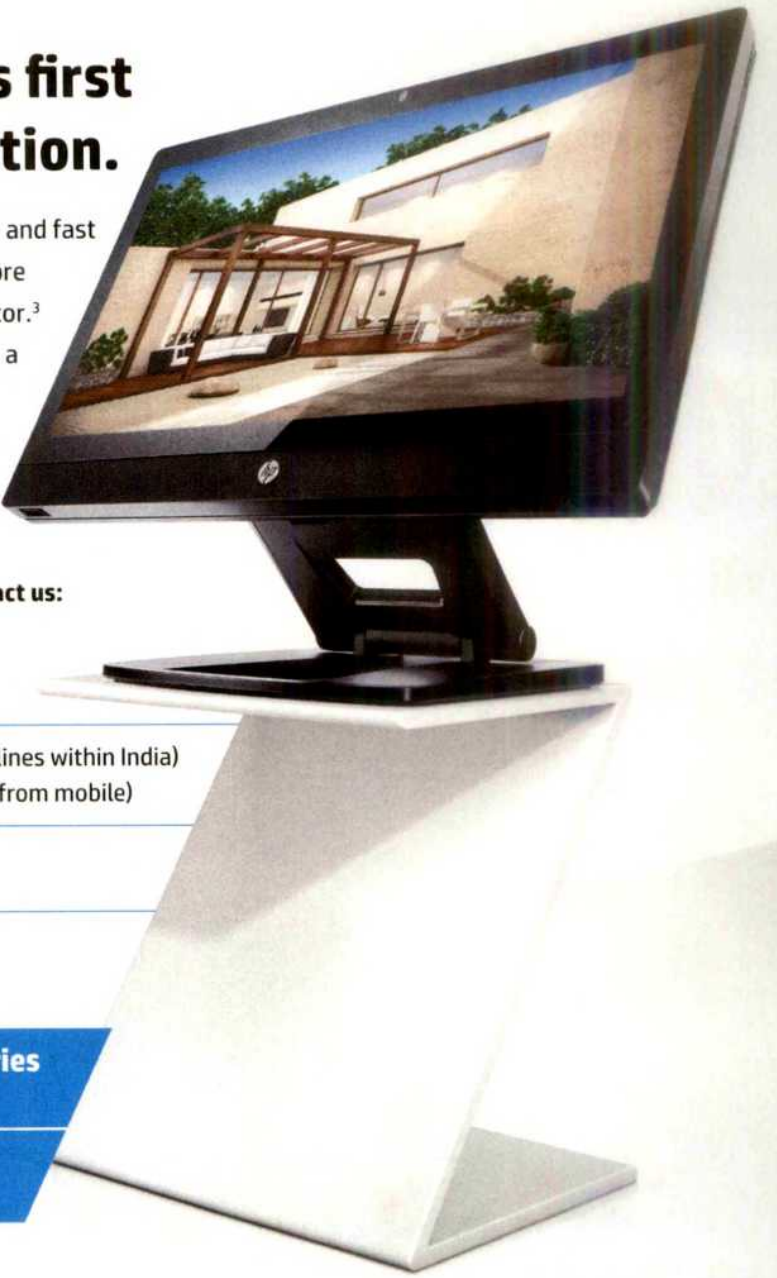

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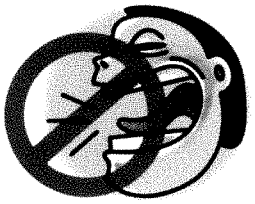
Cream of the Crop

The Japanese firm Shiseido will set a new record in September when it launches the most expensive skincare cream ever. Called 'La Creme', it will cost 1,050,000 yen (₹8.27 lakh) for a 50-gram jar (₹16,500 a gram) – more than the price of gold. Clearly there are people who prize the glow of their skin more than that of gold.



No Laughing Matter

The benefits of laughter are lost on Vinayak Shirsat, a resident of Kurla, Mumbai. He recently complained to the Bombay High Court against a 'yoga laughter club' which assembled every morning outside his window. A sympathetic judge agreed, and ordered the police to clamp down on "this unnecessary headache, people coming and laughing outside your house".

Light & Shade

The power shortage is taking a toll on the Dalit memorials built by erstwhile Uttar Pradesh chief minister Mayawati. Her bitter rival Akhilesh Yadav, now Chief Minister, may have promised not to demolish the statues there, but never said anything about keeping them lit up all night. To save power, he has ordered that for every light switched on at the memorials after sunset, two must be left switched off.

HOW THINGS WORK

Raining Uncertainty

Monsoon worries are back with rains in June having been 24 per cent below normal. On the southwest monsoon:

What it is: It is brought by winds blowing in from a south westerly direction over the Indian Ocean between June and September. It usually starts by hitting Kerala on June 1 and covers most of the country by July 15. This year, it reached Kerala four days late.

Why it is crucial: Around 55 to 60 per cent of cultivated land in India is rain fed. Agricultural production – and in turn rural incomes and national consumption – are all heavily dependent on the monsoon.

This year's prospects: In its latest prediction, the Indian Meteorological Department has claimed this year's monsoon will be close to normal, 96 per cent of the long term average. In April, however, it had said rains would be 99 per cent of the average. The lowered forecast is worrying, since rains below 90 per cent lead to drought.

El Nino: Some experts have claimed there will be El Nino weather conditions in August-September. El Nino refers to an unusual warming of the Pacific Ocean surface, which results in scanty rains. In 2009, the last time El Nino struck, India's monsoon was the worst in decades.

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INFRASTRUCTURE

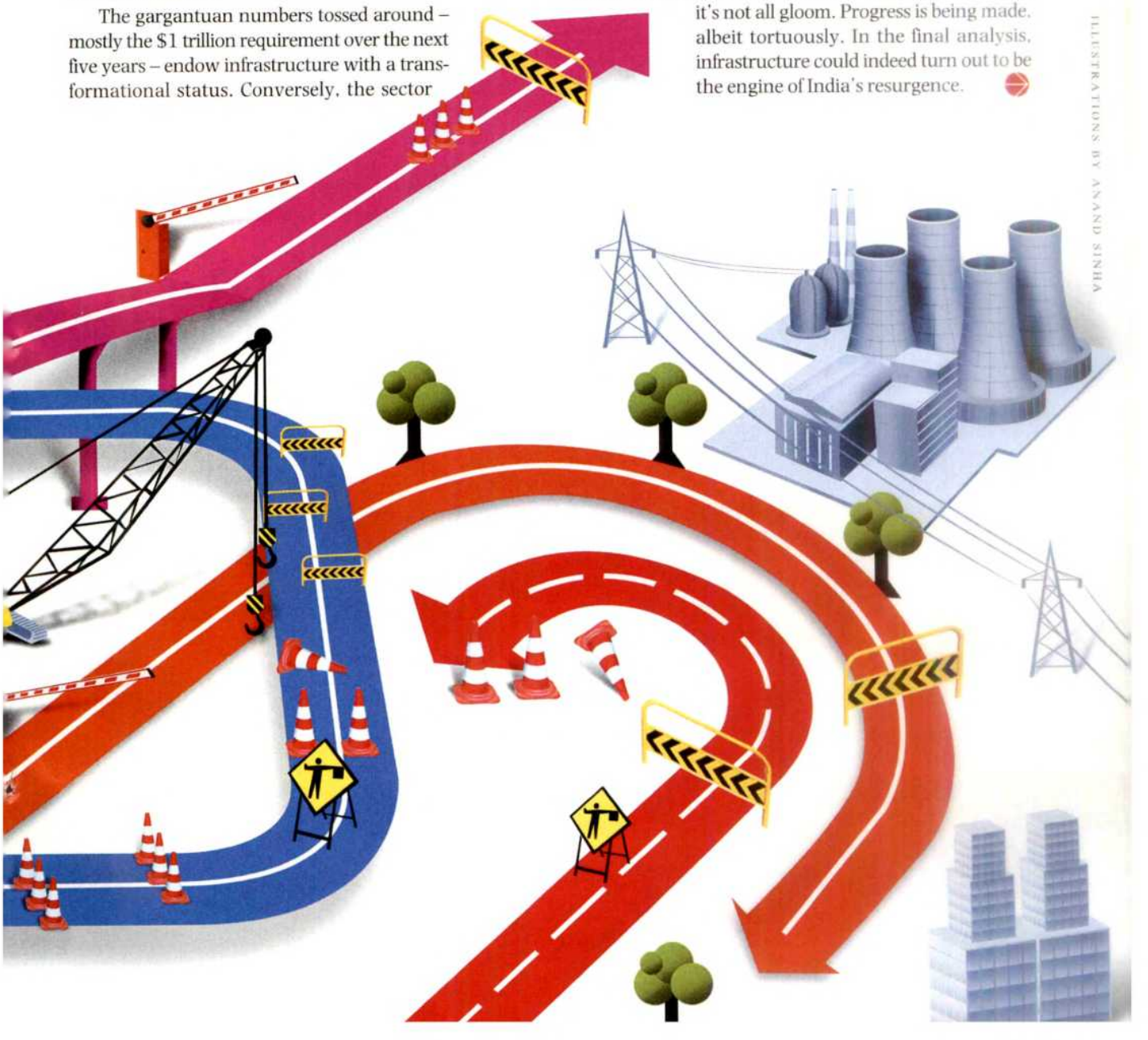
GLIMMER

OF HOPE

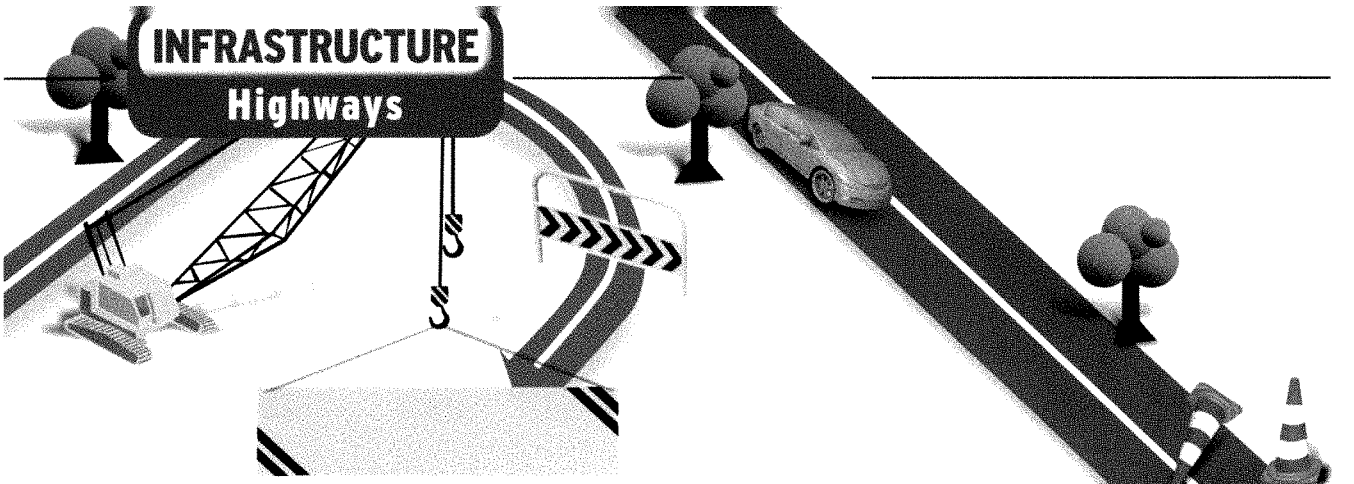
With the economy going into a tailspin, infrastructure has once again become the engine expected to pull India out of the woods. In June, just after it transpired that India's growth rate the previous financial year was the lowest in nine years, Prime Minister Manmohan Singh talked about how a big push for infrastructure could increase investment.

The gargantuan numbers tossed around – mostly the $1 trillion requirement over the next five years – endow infrastructure with a transformational status. Conversely, the sector encapsulates all the shortcomings stifling the economy. Volatile regulations, land acquisition problems, sudden changes in operating environments all show up in this troubled area.

Business Today's reporters took a close look at four key areas – highways, power, airports and land acquisition – that are critical to pull in $1 trillion in investments over the next five years. Contrary to popular perception, it's not all gloom. Progress is being made, albeit tortuously. In the final analysis, infrastructure could indeed turn out to be the engine of India's resurgence.



ILLUSTRATIONS BY ANAND SINHA



IN THE FAST LANE

Despite land and funding issues, roads are being built at a healthy pace.

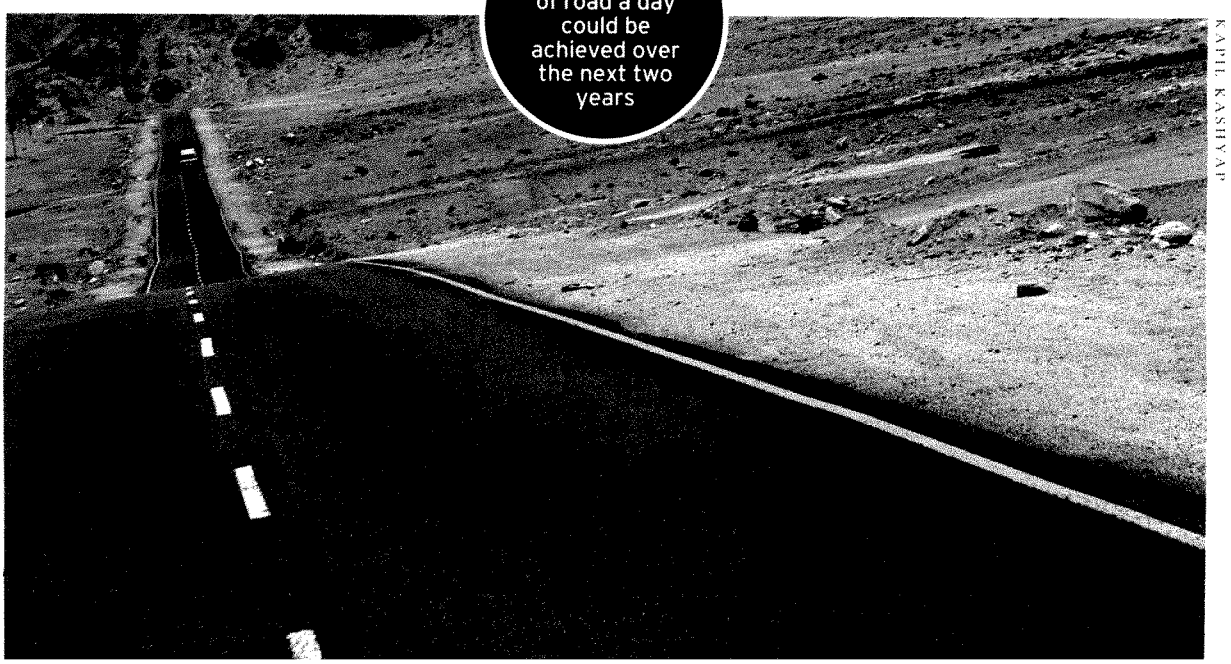
By G. SEETHARAMAN

After more than a year, the National Highways Authority of India (NHAI) finally got a full-time chairman on June 11 in Rajinder Pal Singh. His predecessor, Brijeshwar Singh, had retired in December 2010. Ordinarily, having to deal with a headless government body would have been a matter of concern for industry. But Y.R. Nagaraja, Managing Director of Hyderabad-based Ramky Infrastructure, is smiling today, as are most of his peers in the highway infrastructure business. "It (the absence of a full-time NHAI chief) did not make any difference. Projects were awarded regularly," says Nagaraja. In 2011/12, NHAI awarded projects for 6,491 km, an increase of more than 25 per cent over the previous financial year (see: *Faster Highways*). Ramky Infrastructure bagged two of the 49 projects auctioned last financial year. The projects, in Karnataka and Uttar Pradesh, are worth ₹2,240 crore.

Ramky's rival Gammon Infrastructure Projects won five NHAI projects last year. "There was hardly any action in other infrastructure segments," says K.K. Mohanty, Gammon's MD. Gammon is also developing ports, alternative power plants and special economic zones.

Execution, too, has improved. Last financial year, on average, 10.39 km of roads were built per day, according to a statement made to the Rajya Sabha in May by Jitin Prasada, Minister of State for Road Transport and Highways. The figure includes NHAI stretches, projects of the roads ministry, state Public Works Departments, Border Roads Organisation and port connectivity projects. Today, India's total

The target of building 20 km of road a day could be achieved over the next two years



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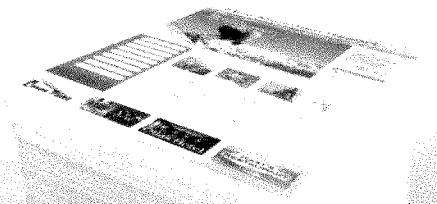

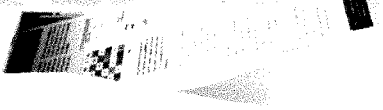

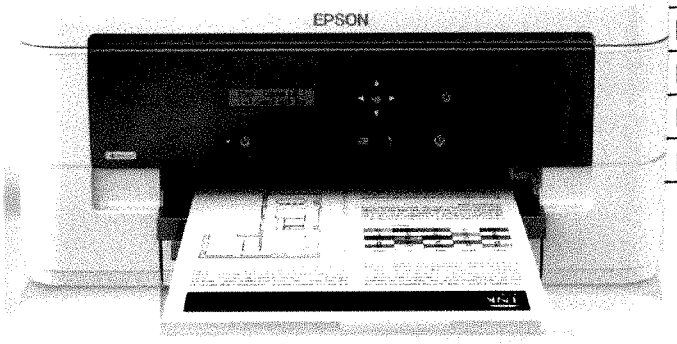

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NHAI AWARDS

YEAR	2007/08	2008/09	2009/10	2010/11	2011/12
LENGTH AWARDED	1,234	643	3,360	5,083	6,491

NHAI COMPLETION

YEAR	2007/08	2008/09	2009/10	2010/11	2011/12
LENGTH COMPLETED	1,682	2,205	2,693	1,579	1,863

Source: Motilal Oswal Securities

road network stands at 33 lakh km, of which national highways account for 71,770 km.

"Even with delays, we should hit the target of 20 km a day by 2014," says Abhinav Bhandari, infrastructure analyst with Elara Capital. That target was set by former Road Transport Minister Kamal Nath in 2009. The ministry, now headed by C.P. Joshi, plans to award 9,500 km this financial year.

Most NHAI projects follow the Build-Operate-Transfer (BOT) model. A BOT project can be based either on tolls or on annuity. In a toll project, a developer builds a road, operates it for a specified period, earns revenues through tolls, and then turns the road over to the government. In an annuity project, the government pays the developer an annuity every six months and reserves the right to toll.

While Bhandari is confident that land acquisition and funding issues will not derail India's road development programme, developers are not willing to take them lightly. S Vaikunthanathan, Director, Finance, Madhucon Projects, says it is rare for a project to be completed on time. "Show me one project where all the land is available when construction begins," he asks, adding that NHAI should set up a separate wing for land acquisition.

NHAI acquired 12,000 hectares (one hectare equals 2.47 acres) in financial year 2012, 40 per cent more than the previous year. A May 8 report by Motilal Oswal Securities notes that NHAI's land acquisition cells across the country have contributed to the improved figure. "However, in states such as Goa and Kerala, land acquisition is a constraint," notes the report. In December 2011, NHAI cancelled a project it had awarded to IRB Infrastructure Developers in Goa because it could not procure land.

The Land Acquisition Bill, 2011, does not apply to highways. However, Parliament's Standing Committee on Rural Development has suggested that highways be brought under the Bill's ambit. If that happens, costs will increase as the compensation paid to landowners will be higher, making projects unviable. Moreover, there is also a fear that the Bill might require developers to acquire some of the land themselves.

While land acquisition problems have eased over the last year or so, funding has become more difficult. Experts say smaller developers cannot get roads financed without a promoter guarantee. "We do that on a case to case basis. It depends on our risk perception of the project," says M.S. Raghavan, Executive Director, Bank of India.

Developers say banks expect them to bring in more equity than before. "If we funded a project on a debt-equity ratio of 80:20 earlier, we now have to settle for 75:25 or 70:30," notes Ramky's Nagaraja. Constructing a kilometre of highway can cost ₹8-15 crore, depending on the region and on whether it is a two-, three- or four-laning project. Developers are still largely dependent on domestic financial institutions for funding. The corporate bond market is barely developed and external commercial borrowings are not a viable option. "It's not cost-effective because most road projects are rated BB or BB+," says Bajrang Choudhary, President of Infrastructure Project Development at Srei Infrastructure Finance, which has 14 road assets.

These issues notwithstanding, roads are where the action is in infrastructure. Given that the power sector faces a fuel mess and that port and airport projects will take time to get off the ground, infrastructure companies will continue to bet big on highways.

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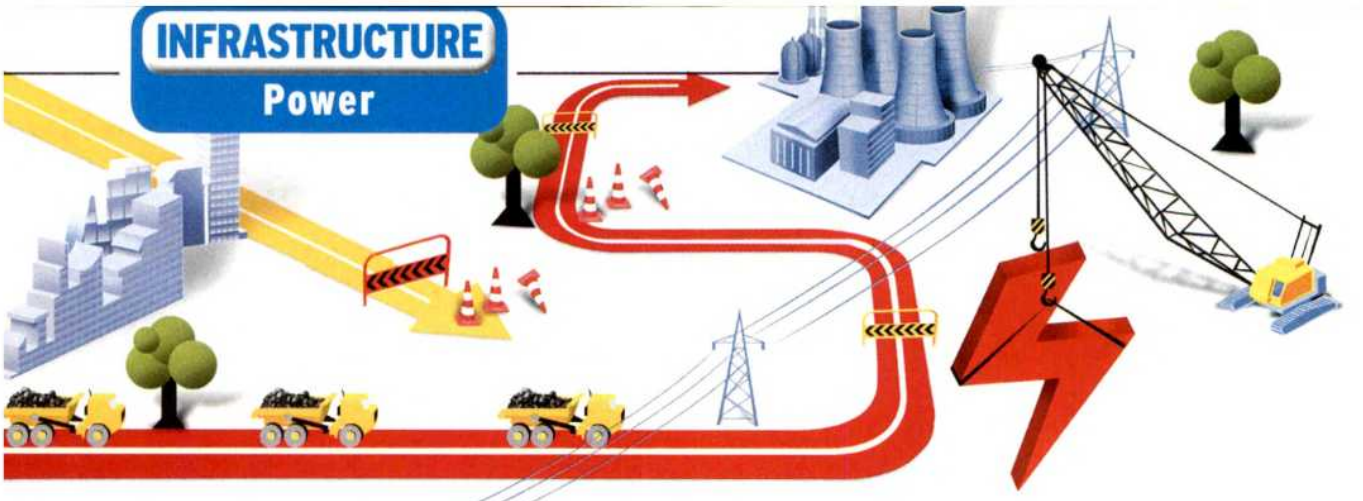


COAL SWEAT

The coal crisis could upend India's power story.

By G. SEETHARAMAN

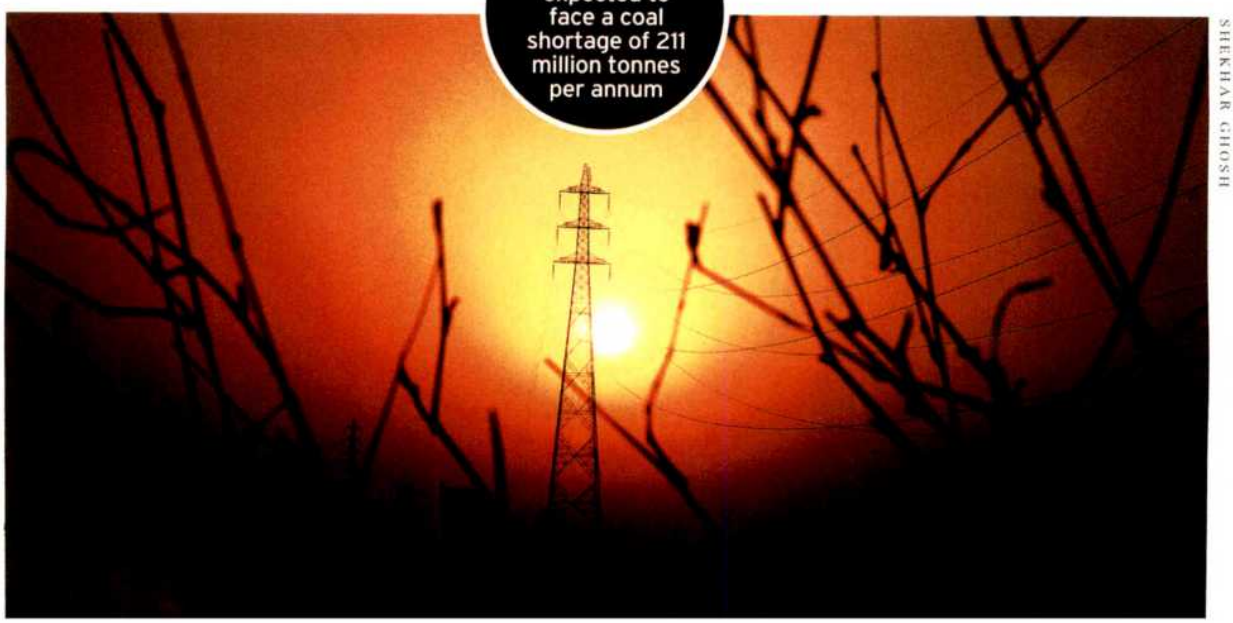
China Light & Power India's (CLP) plant in Jhajjar, Haryana, is a rarity as far as large projects go in India. Reason: it was commissioned ahead of schedule earlier this year. Since then, however, the project has not had much to boast about. With no assured supply of feedstock, it has been operating well below its capacity of 1,320 MW. Things began to look up only on June 7, when Coal India (CIL) agreed to supply it coal for 20 years. The plant's two units – of 660 MW each – require 20,000 tonnes of coal every day. Before the agreement was inked, CLP was receiving only sporadic supplies from CIL. At one point, says Rajiv Mishra, Managing Director of CLP, there was no coal for Unit II and only a few days' worth for Unit I. CLP, the largest foreign player in India, is not the only developer facing supply problems. Similar situations prevail at power plants across India, with most operating well below capacity.

A coal-fired project can get supplies in three ways: through a captive mine; by importing coal; or through a fuel supply agreement (FSA) with CIL, Singareni Collieries or other government-owned entities.

India added nearly 58,000 MW of power capacity in the last five years and plans to add another 90,000 MW in the next five. Nearly two-thirds of that will be coal-based. But the precarious coal scenario could put paid to such ambitions. Annual coal demand, four-fifths of which is met by CIL, is expected to rise 40 per cent to 980 million tonnes by 2017, when production will trail demand by a fourth. CIL's production suffered last financial year due to excessive rainfall, delays in forest and environmental clearances, as well as land acquisition and rehabilitation issues.

State-owned NTPC, India's biggest power producer with 37,514 MW of capacity, doubts it will be able to meet its target for the 2012-2017 period. "Our original plan was to be a 66,000 MW company by 2017. But due to (fuel) constraints we may

By 2014/15 the power sector is expected to face a coal shortage of 211 million tonnes per annum



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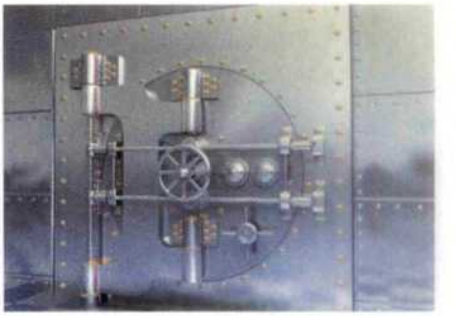

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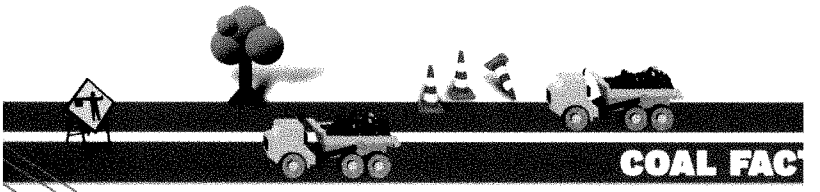
have to reduce this by about 11,000 MW," says a senior NTPC official. NTPC needs FSAs for eight units of 4,300 MW.

In January, and again the following month, power developers approached the Prime Minister's Office to get CIL to sign FSAs for 49 units. These were all commissioned between April 2009 and December 2011. The PMO instructed CIL to sign FSAs for all the plants. But, as of June 7, CIL has signed only 16 of those FSAs in addition to 11 for units to be commissioned by March 2015. The directive from the PMO noted that if the coal supplier's deliveries to power plants fell below 80 per cent of the contracted amount, it would have to pay 10 per cent of the cost of the shortfall to the developer as penalty. CIL has, however, cut the penalty to 0.01per cent, irking the developers, some of whom have refused to sign FSAs.

"A penalty of 0.01 per cent does not make any sense. They might as well not have it," says Isaac George, CFO and Director of GVK Power and Infrastructure, which has

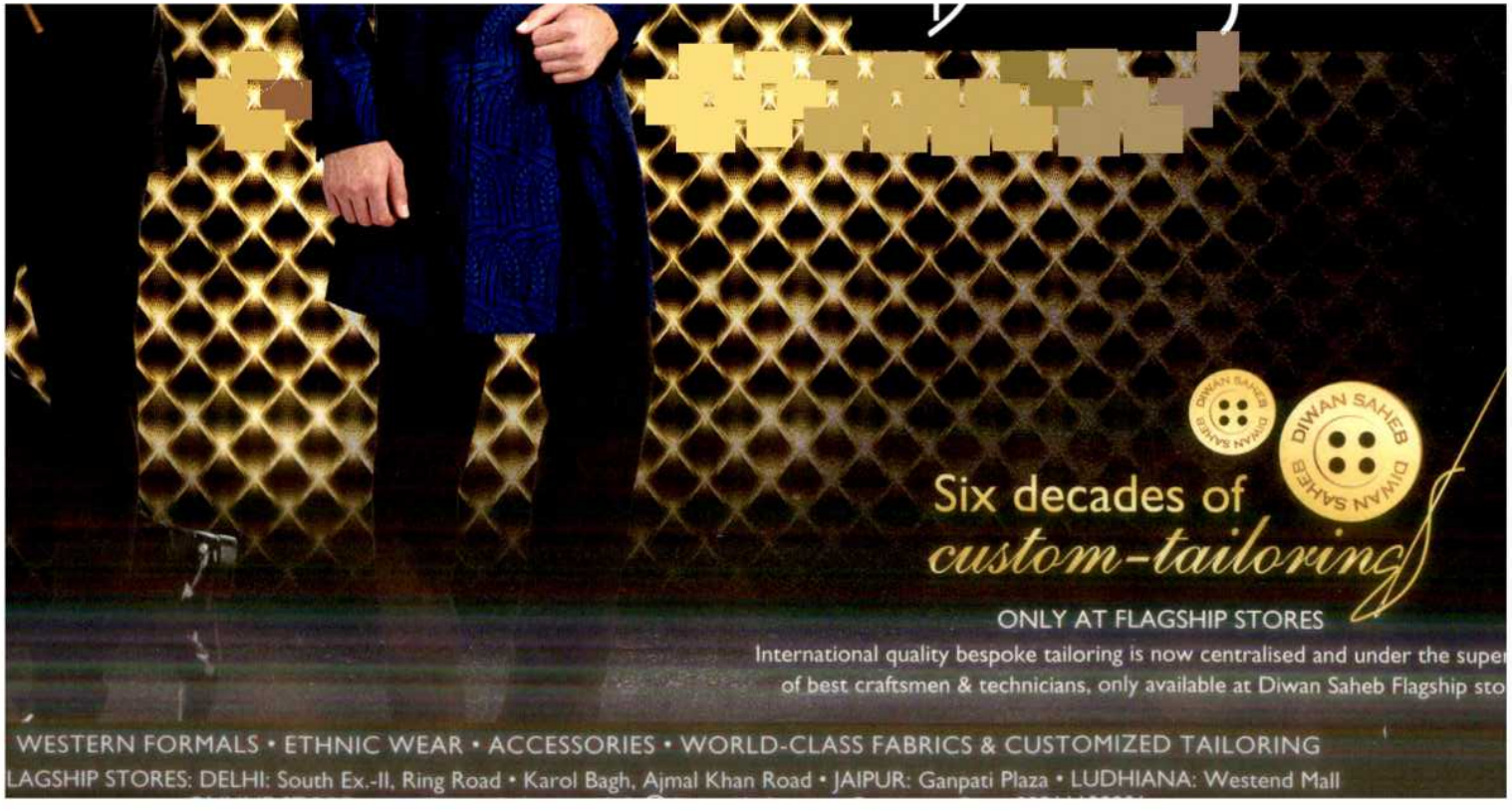


	2010/11	2011/12
INSTALLED THERMAL CAPACITY*	93,918	1,12,022
TOTAL COAL PRODUCTION**	532	539
AVAILABLE FOR POWER SECTOR**	399	404
REQUIRED BY POWER SECTOR**	441	477

*In MW, as of March ** million tonnes per annum *** Estimates

chosen to stay away from coal-fired projects that depend on fuel supply from the coal mining company. CIL is targeting an output of 464 million tonnes this financial year. A CIL official, requesting anonymity, says it will be able to supply the mandated 80 per cent as it is confident of achieving its production target this year.

Ashok Khurana, Director General, Association of Power Producers, says CIL's failure to sign FSAs could hurt 25,000 MW of capacity. "Another 30,000 MW are in advanced stages of commissioning," he adds. Developers have asked the government to allow private companies to take up mining. But the coal ministry is in no position to do that given the flak it has been getting in the aftermath of a preliminary report by the Comptroller and Auditor General (CAG) on coal block allocations. The report states that between 2004 and 2009, the government lost ₹10.7 trillion (one trillion equals one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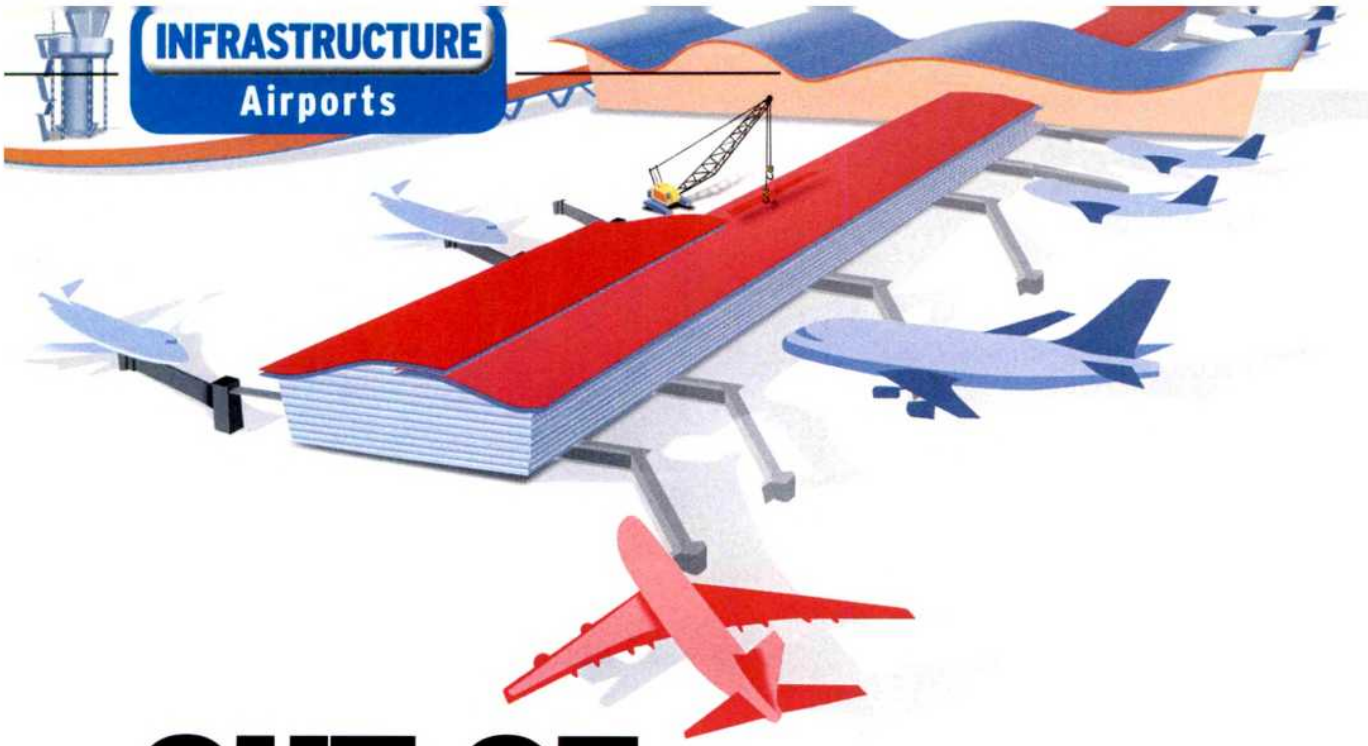
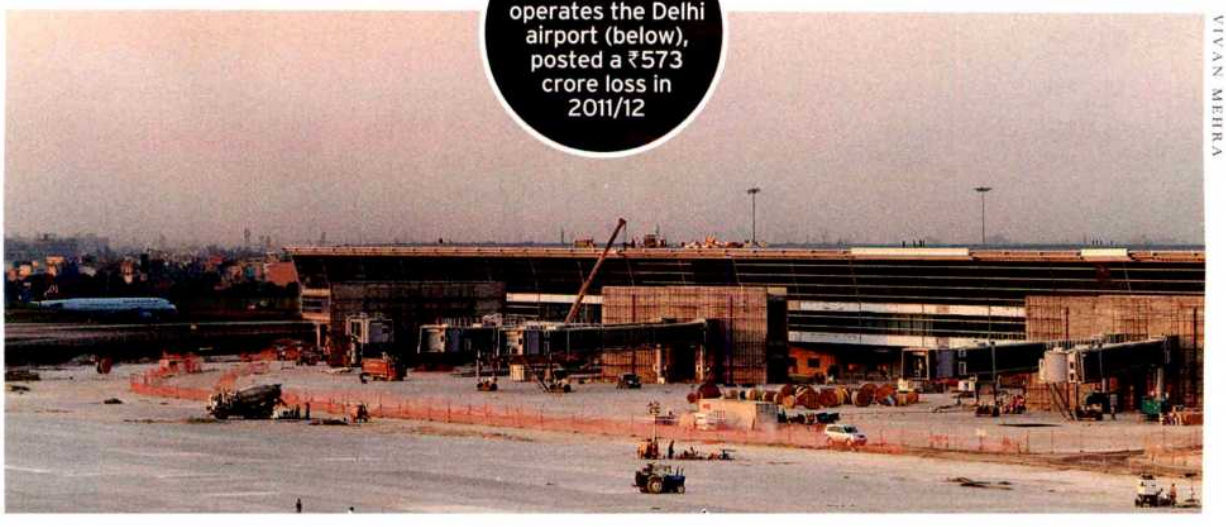


OUT OF THE HANGAR

The government is set to award more airport projects and is targeting ₹50,000 crore in private sector investments by 2017. By GEETANJALI SHUKLA

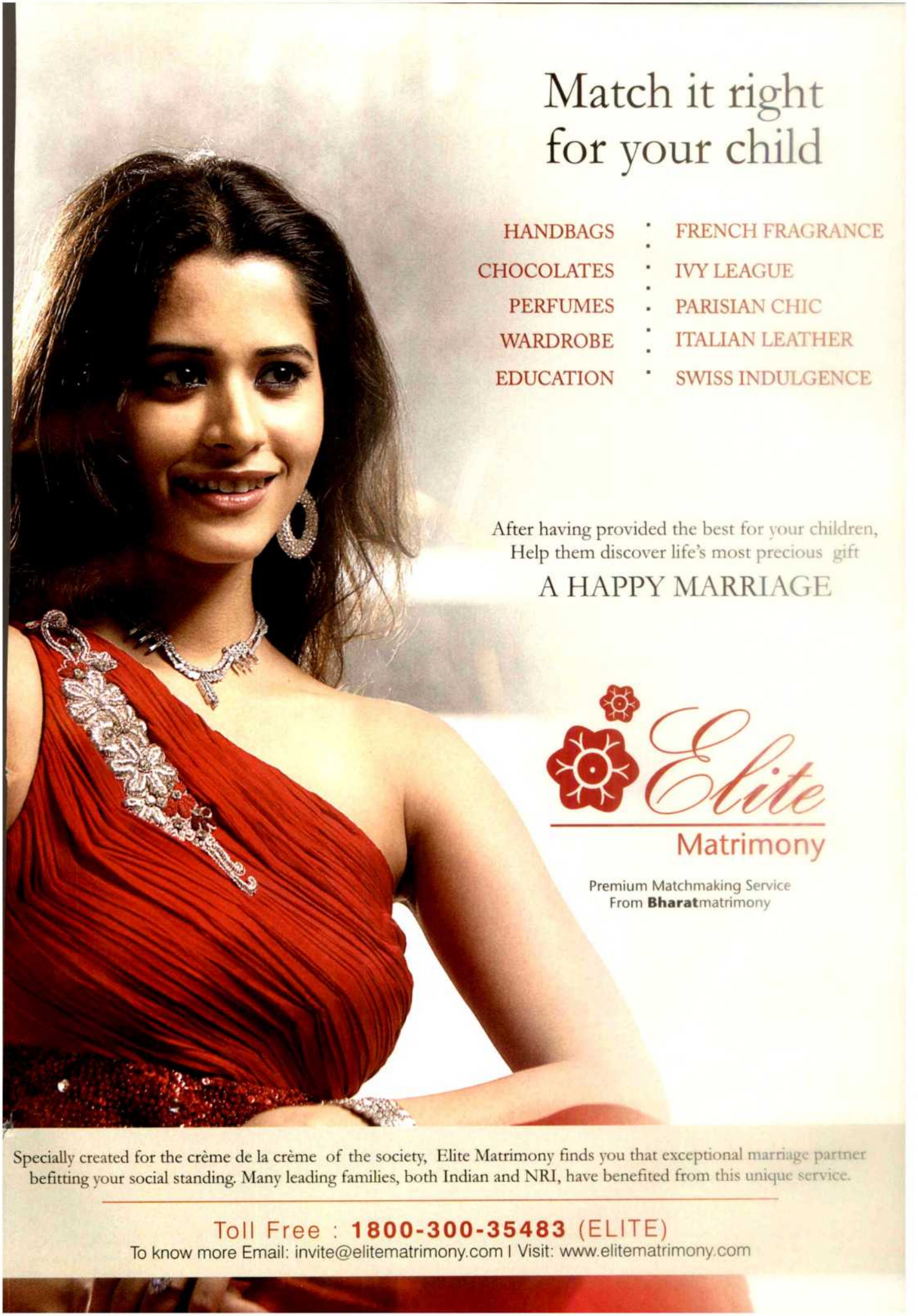
About 200 km from Kolkata, on National Highway 2, an infrastructure project is proving that not all development in West Bengal has to be accompanied by controversy. The project, India's first aerotropolis, is coming up over 1,818 acres off the Durgapur steel city. An aerotropolis is a cluster with an airport at its centre and a city, whose economy is dependent on the airport, growing around it. Bengal Aerotropolis will have an airport, a township for 60,000 people, an IT park, a logistics hub and an industrial centre. It is being developed by a consortium that includes Singapore's Changi International Airport and infrastructure company IL&FS. The airport will commence commercial operations by next March, says Subrata Paul, CEO of Bengal Aerotropolis Projects, even though the runway isn't ready yet. "We are slightly behind," he concedes.

They are grand projects, but being slightly behind, and then some, is something many airport projects have in common in India. Take Kolkata's Netaji Subhash Chandra Bose International Airport, for instance. The airport's 200,000 square metre integrated terminal, which was to be completed by 2010, will be ready only this year. Chennai's new domestic and international terminals, which were to be



In the red: DIAL, which operates the Delhi airport (below), posted a ₹573 crore loss in 2011/12

VIVAN MEHRA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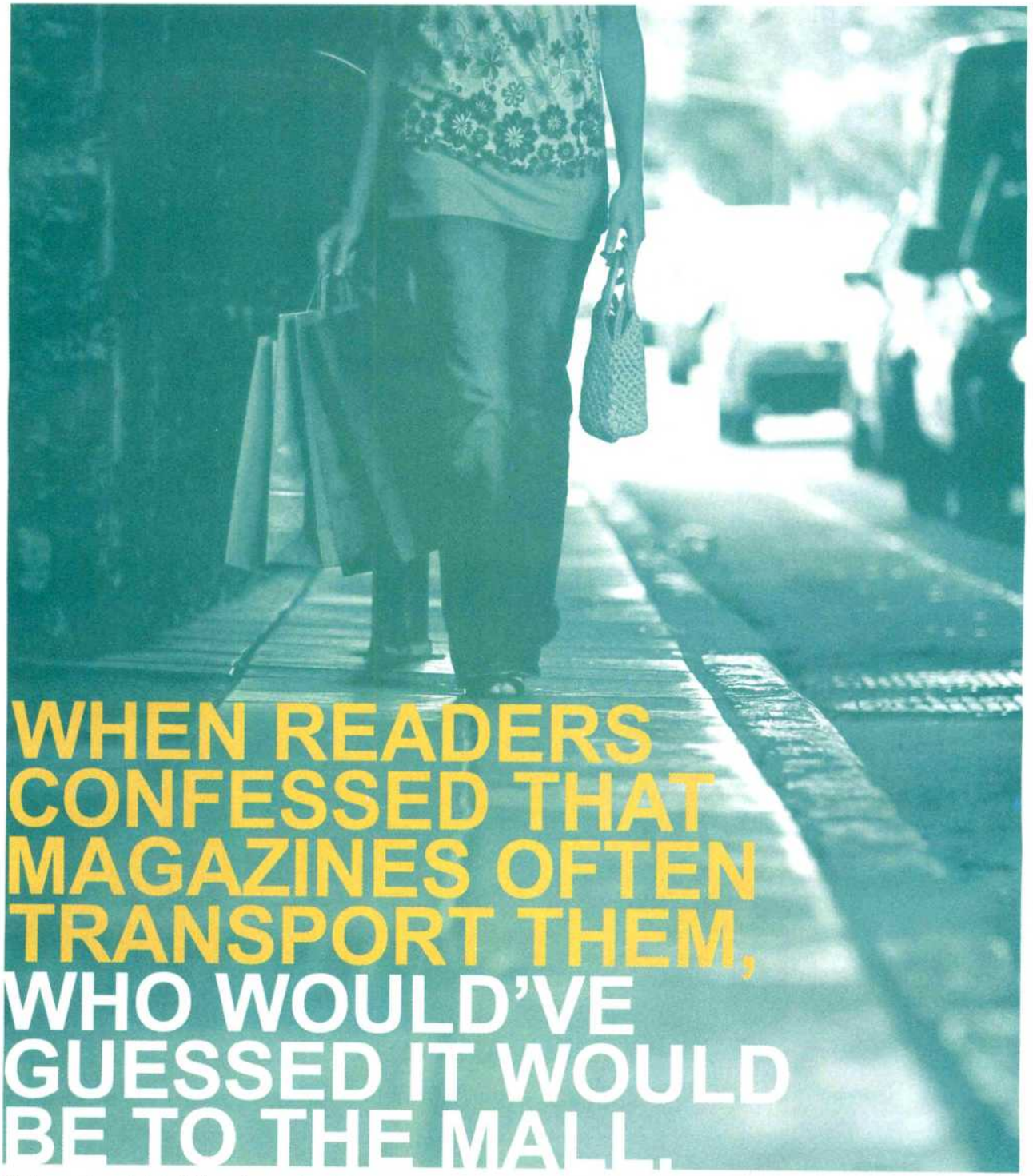

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completed in 2010, will be commissioned in July. Mumbai's international terminal has been delayed by land issues and will be ready only in September, nine months late. Its development cost has shot up from ₹5,826 crore, when the project was awarded in 2006, to ₹12,380 crore, though this is partly due to widening of the project's scope to include construction of an air traffic control tower and an elevated road to the airport.

But despite these problems, the airports story is largely a positive one. According to the Civil Aviation Ministry, the number of passengers handled by Indian airports grew to 160 million in 2012 from 40 million in 2002. The compound annual growth rate of 14 per cent for the 10-year period is one of the highest in the world, says the ministry. Infrastructure companies in the sector have much to look forward to, particularly by way of new projects. And the government's willingness to discuss regulatory problems and announce more projects promises to inject new life into the sector.

The lack of a strong pipeline of projects has been bothering the industry for a while now. "Airports have seen success stories in the last few years. But that is a 10-year old story. No PPPs (public-private partnerships) have been signed since. We need projects, and bankable projects," says Manish Agarwal, Executive Director, Infrastructure Advisory, PricewaterhouseCoopers India.

Now, the government is determined to bring its airport modernisation process back on track. It has announced that additional PPPs will be finalised for 10 to 12 existing and greenfield airports by the end of July. Work is scheduled to begin on three greenfield airports, including Navi Mumbai, the second airport in Mumbai. The government has also announced that two airports, possibly Delhi and Chennai, will be developed as hubs to make India a transit point.

While they have welcomed the news, infrastructure developers want more information to formulate their strategies. "If there was some articulation in terms of the project structure and documents, land acquisition and environmental clearance, it would give investors confidence," says Agarwal.

"It is definitely a positive step. But we would like some clarity on which airports the government is talking about when it says PPPs will be finalised by July-end. Clarity on how the development plan will be structured, such as the shareholding pattern in the PPP, will also be appreciated," says Sidharath Kapur, CFO, Airports, GMR Group.

Kapur has good reason for wanting that clarity. In the Delhi and Mumbai projects, developed as PPPs, developers agreed to give between 46 per cent (Delhi) and 39 per cent (Mumbai) of revenue to the Airports Authority of India (AAI), which manages most of India's airports. This share is now being considered excessive as some airports are struggling. Delhi International Airport Ltd (DIAL), which operates the Delhi airport, has paid ₹3,000 crore to AAI in the last five years in line with the revenue share agreement it signed in 2006. GMR Infrastructure, majority owner of the Delhi and Hyderabad airports, posted a ₹604 crore loss in financial year 2012. This was on account of a loss of ₹573 crore incurred by DIAL, which it blames on not being able to raise airport tariffs. In April, the airport regulator finally allowed DIAL to hike tariffs by 346 per cent, a decision welcomed by developers and investors.

The draft 12th Five Year Plan targets an investment of ₹50,000 crore by the private sector in airport development. This is based on the success of the 11th Plan, where the private sector brought in ₹30,000 crore. Developers want Tier-II airports such as Ahmedabad, Amritsar, Chandigarh and Jaipur to be opened for development through PPPs. However, industry watchers are sceptical, attributing the success in the 11th Plan to projects in Mumbai, Delhi, Hyderabad and Bangalore.

The 12th Plan draft also lays down an investment target of ₹17,500 crore for AAI. V.P. Agrawal, AAI's Chairman, says: "It is very pessimistic. We can do much more. Let the private sector come forward and develop greenfield airports. We will take only a minor share in it."

But PwC India's Agarwal says that won't be enough. "Greenfield airports become viable over 30 to 40 years. The cash flow gap for developers in the interim will have to be taken care of. That's the challenge policy will have to address."

WITH INPUTS FROM ANIK BASU

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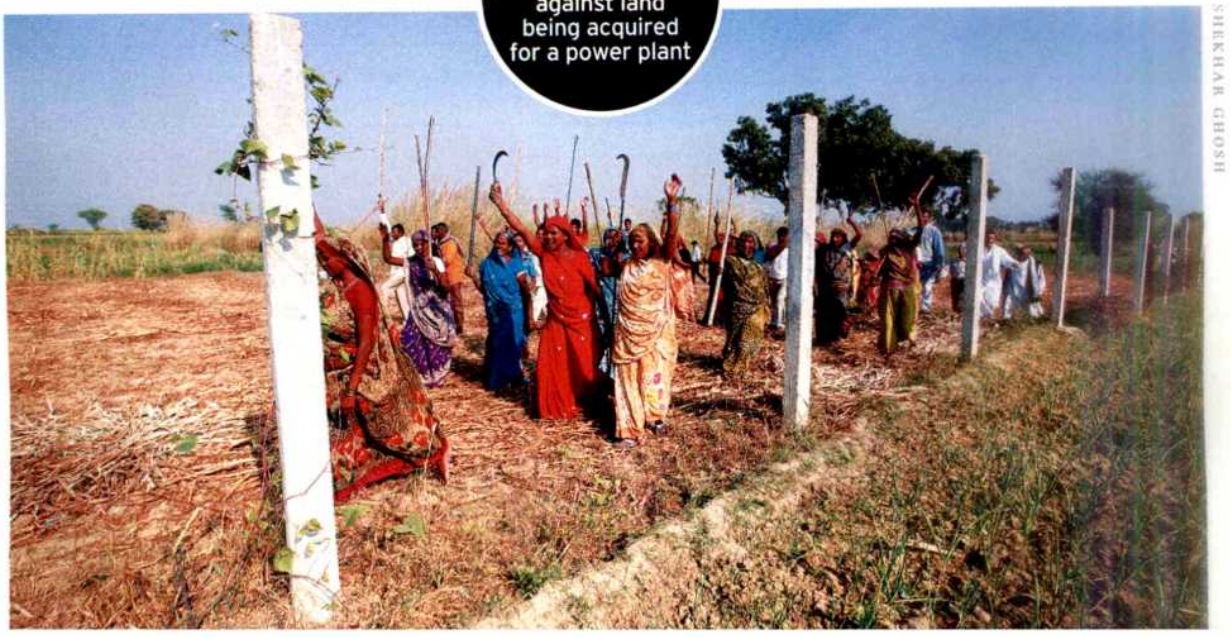
NEW GROUND RULES

The economic slowdown could catalyse chances of a political consensus on land acquisition. By SANJIV SHANKARAN

On a hot May afternoon, a visibly tired Jairam Ramesh walked into a press conference on the revised Land Acquisition Bill. The kurta-clad Rural Development Minister slumped into a chair and shut his eyes, waiting for journalists to trickle in. The daunting prospect of shepherding the polarising Land Acquisition, Rehabilitation and Resettlement Bill, 2011, through the Cabinet and Parliament may have been weighing on his mind. In the media interaction that followed, what stood out was the pragmatic stance Ramesh adopted. He pointed out that the existing land acquisition laws were framed in the 19th century and that its overhaul was imperative if economic growth and urbanisation was to get a boost.

Ramesh's behaviour on that day was very different from that during his interaction with the media on September 7, 2011, the day he first tabled the revised Bill in Parliament. With the Uttar Pradesh (UP) assembly elections still to be held, Ramesh had said: "I am a political animal. This Bill is as much about land acquisition as about politics." But after the lacklustre performance of the Congress in UP and a marked slowdown in growth, grandstanding has given way to pragmatism. "Whatever law we present will facilitate economic growth," Ramesh said at the May briefing, raising hopes that a solution to the biggest hurdle before infrastructure development was in sight.

The essence of the problem is that the prevailing law is not able to bridge the gulf between buyers and sellers on a range of is-



Up in arms: Protests in Karchana, UP, against land being acquired for a power plant

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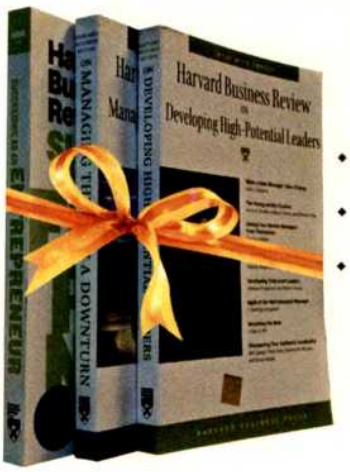

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sues, the biggest of which is compensation. Close to 70 per cent Indians are linked in varying degrees to the rural economy. And fuzzy land records complicate acquisition of land for infrastructure projects. Ramesh's Bill, for the first time, combines three aspects: acquisition, resettlement of displaced people, and their rehabilitation.

The Bill tries to improve upon the existing law by increasing the compensation to be paid by industry, widening the list of beneficiaries eligible for compensation, and making it compulsory for private companies to get the consent of 80 per cent of those who will be displaced in the process.

"Land acquisition is a vexed problem," says Sandip Somany, Joint Managing Director, Hindustan Sanitaryware, and President, PHD Chamber of Commerce and Industry, an industry lobby group. "This problem has the potential of corroding India's growth rate."

Data compiled by business lobby Confederation of Indian Industry shows that as of April 15, 2012, 21 industrial projects, each with an investment exceeding ₹1,000 crore, were stalled on account of issues that included land acquisition. Investments worth ₹2.93 trillion are stuck, with Jindal Steel & Power's ₹42,375 crore steel project in Chhattisgarh being the largest of them.

PROMOTER	PROJECT TYPE	LOCATION	INVESTMENT (₹ CRORE)
JINDAL STEEL & POWER	STEEL EXPANSION	CHHATTISGARH	42,375
POSCO INDIA	FINISHED STEEL	KARNATAKA	32,336
JINDAL STEEL & POWER	STEEL	JHARKHAND	30,000
JAI BALAJI INDUSTRIES	INTEGRATED STEEL PROJECT	WEST BENGAL	25,000
JINDAL STEEL & POWER	STEEL PLANT	ODISHA	25,000

Note: Land Allotment may not be only cause for delay in all the above cases. In some instances, other causes such as pending environment clearances or mining rights may also be responsible for delays
Source: Confederation of Indian Industry, April 2012

Sotiris A. Pagdadis, who moved to India from the US in 2011 to set up PricewaterhouseCoopers' infrastructure practice, believes the problem is bigger here than in most other countries. "From my global experience India probably presents the most challenging environment," he says. After its introduction last year, the Bill was studied by a non-partisan parliamentary committee. The panel's biggest beef with the legislation is that it does not want the government to play any role when private companies acquire land.

In theory that sounds fine. However, ground realities suggest otherwise. The private sector's dilemma was articulated by B. Muthuraman, Vice Chairman of Tata Steel, in his (recent past) role as CII President. "Agglomerating land from numerous owners is not a task that the corporate sector can do effectively, especially in the absence of land records and with small, scattered land holdings." His views are echoed by Vinayak Chatterjee, Chairman of infrastructure consultancy Feedback Ventures. "Land is a factor of production. The state can't say, 'We are walking away'," he says.

Ramesh has clarified that the state was not going to walk away. "The state must have a role in land acquisition," he said at the press conference,. "Faster industrialisation and faster urbanisation are both inevitable and desirable," he added, explaining the logic underpinning the government's stand. The next step for the government is to decide which of the standing committee's recommendations it should accept. They are not binding, but support for legislation in Parliament requires the government of the day to bring the committee on board.

Most of the recommendations could be accepted. Ramesh felt. He was confident he could build support in his own Congress party, as well as other parties, for state involvement in land acquisition even when private companies are acquiring the land. His confidence stems from the role state governments, regardless of party affiliation, have been playing in building land banks to facilitate industrialisation. Negotiating details, however, could prove tricky.

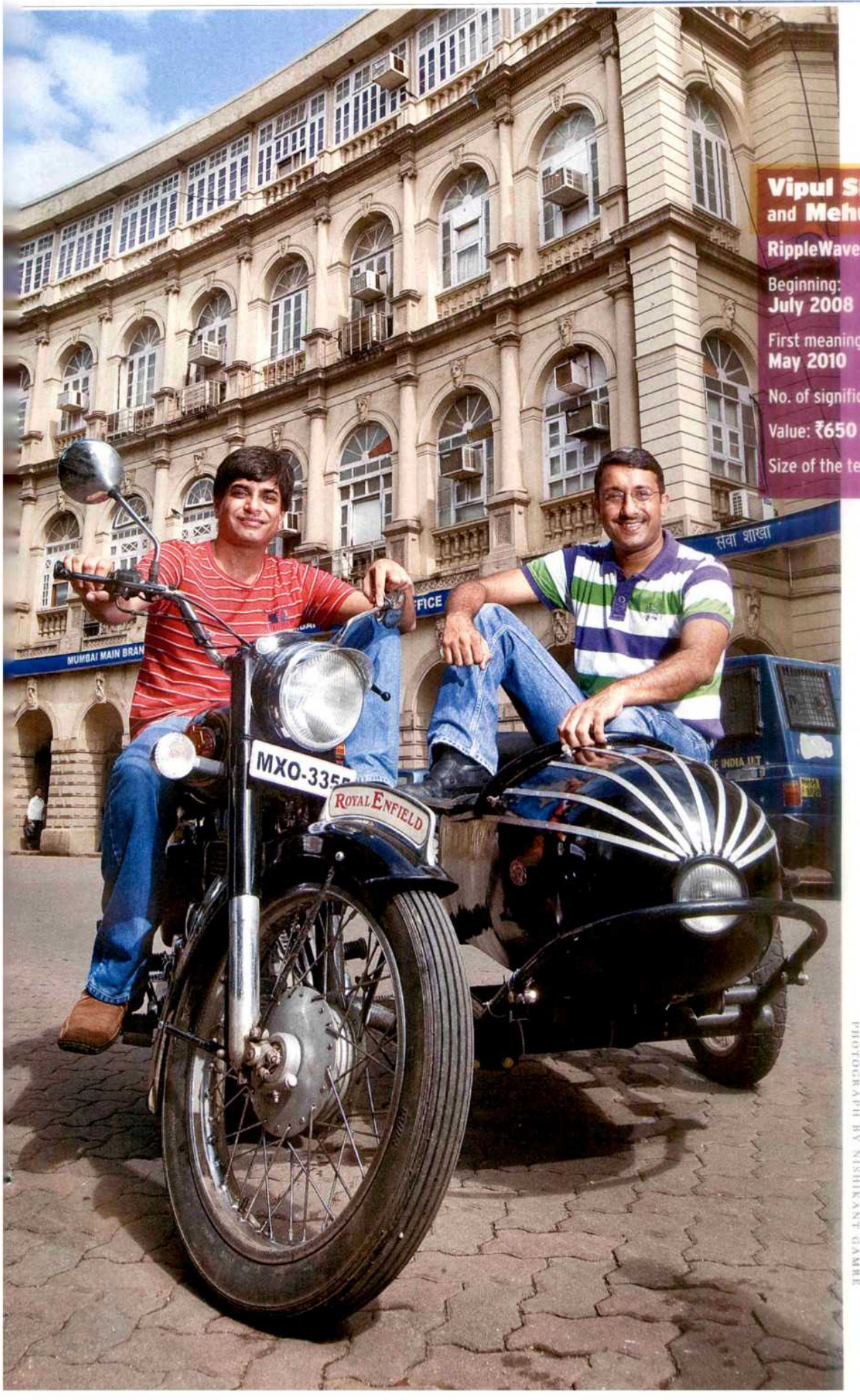
Fortunately, India might still have time to work things out. "On account of the global economy cooling, India has a little more of a window to get its act together," says Pagdadis. "The government has to find a way to depoliticise the land issue." ◆

LITTLE MASTERS OF THE UNIVERSE

In an uncertain economy, Suveen K. Sinha unearths boutique investment banks which are proving better at sealing deals than the big ones

It was amusing to see my host, a man of about 40, dressed in a white shirt with two front pockets, with flaps. Didn't those things go out with tail fins on cars? Useless paraphernalia.

Not quite, it turned out. When the time came to pay the bill for our lunch, my host – MH for short; it would be tactless to name him – did not reach for his wallet in the back pocket. Instead, he undid a flap in front and took out a wad of currency notes. "We have not yet spent all of the fees we earned the last time," he said with a disarming smile. And thereby hangs a tale.



Vipul Shah (L) and **Mehul Savla**

RippleWave

Beginning: **July 2008**

First meaningful deal: **May 2010**

No. of significant deals: **3**

Value: **₹650 crore**

Size of the team: **4**

PHOTOGRAPH BY NISHIKANT GAMRE

BIG DEAL

Rishi Sahai of Cogence Advisors paved the way for ₹872 crore of PE to flow into Quippo from Oman Investment Fund

Mehul Savla of RippleWave forged Schneider Electric's ₹503 crore deal to acquire Smartlink's Digilink unit

MAPE Advisory's Jacob Mathew and M. Ramprasad made it possible for Jyothy Laboratories to acquire Henkel's India unit

C. Venkat Subramanyam and M. Vinod Kumar of Veda shepherded Olympus's ₹600 crore infusion into DM Healthcare

Ajay Garg of Equirus persuaded KKR to put ₹750 crore in Dalmia Cement

Francois Montrelay of P2P facilitated the sale of Atyati to Genpact

A few months ago, a man in his fifties climbed up the steps to MH's office, caught his breath, put a satchel on the table and said: "Here."

The satchel was packed with ₹25 lakh in cash. MH had raised some working capital for this man's small business and he, brimming with gratitude, had come to pay the fees.

MH did not expect cash, but recovered quickly and told the client to come back after two days.

When the client came back, MH simply kept the satchel. The client, unable to contain his curiosity, asked what had changed.

Two things had. One, MH had installed a rock solid safe in his office. Two, he had got pest control done. Couldn't have allowed anything to eat into his fees, could he?

MH's outfit, with a little burrow for an office, half a dozen researchers, one man to serve tea and coffee, and another to make photocopies and run to the bank, is what is these days called a boutique investment bank. At least a dozen of them have mushroomed in the last few years. They provide most of the services a full-blown investment bank does: advising on mergers and acquisitions, managing initial public offers, and raising all types of funds including private equity (PE) and bank debt. And they match the big boys in finesse, though one or two of them may have at some point found themselves staring at a satchel full of cash.

They are happy to serve clients whose need for funds may be less than ₹100 crore, sometimes less than ₹50 crore. This is what the big investment banks – like Goldman Sachs, Morgan Stanley, J.P.Morgan, JM Financial and Kotak – won't do. Given the cost structures they have, with several partners, and dozens of associates and analysts getting fat paycheques, it makes sense for them to enter a deal only when the fees – 0.5 per cent in a bad market, two per cent if they are lucky – are enough to take care of the crew. For that, the deal size ought to be ₹200 crore or more.

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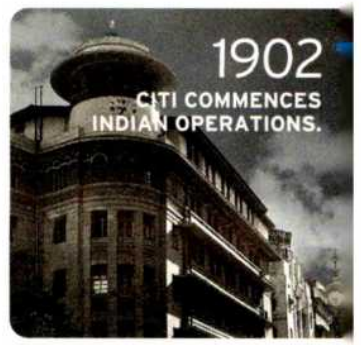

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"We would not look at smaller deals – like $5 million (₹28 crore) or $10 million (₹56 crore)," says the M&A head of a big Wall Street firm's India unit, "unless there was some exceptional value attached."

Boutiques have no such qualms. One of them – P2P Consultants – is a one-man show by Francois Montrelay, a French national who cannot get over his India hangover. Mehul Savla and Vipul Shah, who were together in school and college, have RippleWave. It has two other people, of whom one looks after administrative functions. Cogence Advisors, owned equally by Rishi Sahai and Manish Gupta, both from the Economics Honours class of 1991 at Hindu College, has four other people, all doing research. Among the "bigger boutiques", Veda Corporate Advisors, set up by C. Venkat Subramanyam and M. Vinod Kumar, who have been together for 20 years, through three jobs and two entrepreneurial ventures, has 20 people. Jacob Mathew, M. Ramprasad and Ajay Garg left DSP Merrill Lynch to start MAPE Advisory, which has 38 people. And Equirus, which came into existence when Garg left MAPE to start his own outfit, has 40, half of them in investment banking and the other half in institutional equity.

This bunch has subverted Tom Wolfe's vision of the bonus-guzzling investment banker, which he outlined in *The Bonfire of the Vanities*, calling them the Masters of the Universe. Right now, it is all about little masters. And often they punch far above their weight (see *Big Deal*, page 60).

In fact, boutiques are the ones really active in the ring right now, feasting on deals of ₹50 crore to ₹200 crore, which is the range where the action is. They charge the same percentage as fee that the big ones do, but get by happily in spite of the low absolute amount, a result of the smaller deal sizes, because their expenses are far lower.

Globally, boutiques are capitalising on the fact that big investment banks have lost sheen in the aftermath of the 2008 financial crisis. According to Thomson Reuters data, the market share of the 10 largest Wall Street firms, by fees, dropped to 36.3 per cent last year from 42.2 per cent in 2007. In India, though such data is not available, Grant Thornton's Dealtracker shows 971 deals, including M&A and PE, were struck in 2010, totalling $62.2 billion. In 2011, there were more deals – 1,026 – but their

NISHIKANT GAMRE

Jacob Mathew

MAPE

Beginning: **2001**

First deal: **December 2001**

No. of deals: **90**

Value: **$3.5 billion**

Size of the team: **38**

combined value was lower at $54.3 billion. This shows that deals got smaller, closer to the boutique comfort zone.

"We have lost deals to boutique banks," admits Sanjay Sakhuja, CEO, Corporate Finance, Ambit Group, which started as a boutique but has since become a mid-size player, with a tall building in Mumbai's Lower Parel area proudly bearing its name. "But I'm not sure we have the DNA to do those deals."

It is not just the lower expenses that make boutiques click with clients. All six that *BT* spoke to insisted that their clients loved them because they were always there for the clients, mentoring them, the senior partners giving them unwavering attention from the beginning to the end. Often they cajole the client to look at new areas, and offer to raise funds to finance the foray. All this invariably results in long-term relationships, as opposed to a transaction-based one.

And then there is something more. "Boutiques score on adapting and changing their mod' 'quickly," says Sahai of Cogence.

None of that should come as a surprise. Most of the boutiques were born because their

founders felt constrained by the big corporate set-up in which they worked, saw opportunity in deals that their employers would scoff at, and were eager to get more involved with the client.

And there was adversity.

One calm September morning 11 years ago, Ramprasad and Mathew resigned at DSP Merrill Lynch. By the evening the world had changed as two aeroplanes crashed into the World Trade Centre in New York. "Hemendra *bhai* (Hemendra Kothari, the redoubtable head of DSP) was giving us *hazaar gaalis* in the morning for quitting. Next day, he was asking us if we were still sure. But we were," says Mathew.

Rishi Sahai

Cogence Advisors

Beginning: **September 2008**

First deal: **November 2008**

No. of deals: **12**

Value: **$650 million**

Size of the team: **6**

VIVAN MEHRA

As much as sure, they were bored. "Merrill was calling the shots and it had this thing that every deal must have a million dollars in fees," recalls Mathew. As a result, even if large clients wanted to do small deals, Merrill would be cool to those. Mathew, who was number two in the investment banking division, and Ramprasad were the men in the field and despaired every time they had to let go of a deal.

They saw a breach, which they sought to fill by putting ₹50,000 each into a venture of their own. Three months later, they did their first deal, helping Dr Reddy's Laboratories clinch a small ₹25 crore acquisition. It got MAPE its first fee: ₹50 lakh.

By this time, Garg, who was also at DSP Merrill Lynch, had come on board as the third co-founder. Soon it was raining deals. At last count, MAPE had done 90 of them, worth a total $3.5 billion.

It could have been 91 deals, but MAPE's efforts to help a large company, which Mathew would not name, acquire one of consumer products company Jyothy Laboratories' brands fell through. But Ramprasad and Mathew stayed in touch with Jyothy, which had been eyeing Henkel India. The trouble was that Henkel's German parent was proving to be intransigent.

MAPE took the Jyothy people three or four times to Germany and told Henkel they would pay the best price. But the Germans had their own processes and decided to conduct an auction.

The day the auction began, MAPE helped Jyothy buy the 14.5 per cent stake held by A.C. Muthiah, former chairman of Southern Petrochemicals Industries Corporation, in Henkel India. Once Jyothy had this chunk, no one else wanted to bid for the company and it fell into Jyothy's lap.

"The problem with the large investment banks is that they want at least $2 million (₹11.2 crore) to $3 million (₹16.8 crore) in revenues. But there are not so many large deals around. We are happy with ₹2-3 crore," says Mathew.

However, it was not sufficient to keep the three co-founders together. In July 2007, Garg set up his own boutique firm, and, in search of a name that would be "extremely googleable", called it Equirus, the condensed form of "equities are us".

Both MAPE and Equirus have prospered, with Garg's firm notching up 52 deals worth ₹6,300 crore, including arranging $160 million (about ₹750 crore at the exchange rate in those days) from Kohlberg Kravis Roberts for Dalmia Cement, and helping TD Power Systems, a manufacturer of AC generators, float an IPO that was subscribed seven times.

"It was a proud moment for us when Nikhil [Kumar, joint managing director of TD Power] said on the listing day, 'We are here today because of Equirus'," says Garg.

Mathew believes that last year some of the larger firms had just about zero revenue. "We had close to $10 million. In fact, the last year was the best in our career in terms of revenue. The bad times are actually the good times for us."

There is someone else who yearns for the bad times. "I am known as the *kabadi wala* (scrap dealer)," says Sahai of Cogence, oozing schadenfreude. "When the market is down, it is party time for us."

That is because Cogence has made a name for itself in secondary PE transactions. If a firm finds itself stuck in a company for lack of exit routes, Cogence helps it sell its stake to another PE or hedge fund. "I know four to five firms which are always looking for secondary transactions," says Sahai, who recites portfolios of

DEAL WATCH

big funds for small talk.

Fittingly, Sahai's timing was worse than MAPE's. He and Gupta set up Cogence in September 2008. That was when Lehman Brothers collapsed, triggering a global financial meltdown.

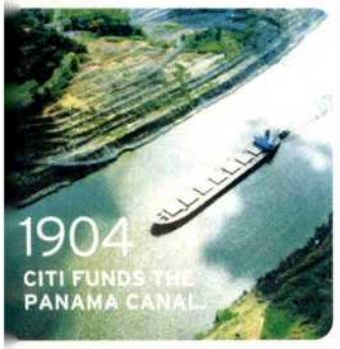
Amid the debris that piled up, Cogence struck gold. It was trying to help Goldman Sachs find a good spot in the Indian telecom infrastructure industry to park some funds. Goldman did not like Cogence's candidate, Quippo Telecom Infrastructure Ltd. But Sahai stayed in touch with Quippo and promised to raise some money for it. It turned out to be a lot of money as Oman Investment Fund agreed to pump in ₹872 crore in two tranches beginning November 2008, just two months after Cogence began.

There was another boutique bank trying to find its feet on the rubble that rained after Lehman's fall. But RippleWave, set up in July 2008, was less lucky than Cogence, taking nearly two years to close its first "meaningful" deal.

Savla and Shah, its co-founders, had been in touch with Quick Heal, a maker of anti-virus software, offering to raise PE for it, but the company's promoters saw no reason to dilute their shareholding. Finally, Savla pointed out to them the threat of big multinational rivals, like Symantec and McAfee, who would see Quick Heal's people – its biggest assets – as easy pickings. The only option for Quick Heal was to grow and make acquisitions of its own. Finally, the company saw Savla's point and opened its doors to ₹60 crore from Sequoia Capital.

Last year, Savla and Shah struck their biggest deal by facilitating Schneider Electric's acquisition of Smartlink's Digilink unit for ₹503 crore. "I chased Mr Naik [K.R. Naik, Smartlink's promoter] for six months, cold calling him. He avoided us but we kept sending him ideas. Eventually we got a meeting and the mandate," says Savla with a sigh of satisfaction.

Despite the long gestation of the first deal, not for a moment did Savla have second thoughts about his decision to take the plunge with RippleWave. This despite the fact that he had left a cushy number with J.P.Morgan, where he was heading equity capital markets for India, raising money in public offerings.



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He faced the same problem as Mathew and Ramprasad: Savla's bosses wouldn't get into many deals because they were not worth their while.

There was one more reason why Savla wouldn't go back to the life he had left behind. "It was increasingly a process-driven job. A typical deal would have four to five banks. The larger issues would have as many as 10 book runners. I did not feel involved."

Montrelay of P2P, too, ran away from the corporate setup. Early on in his career, he roamed the by-lanes of the villages in Guntur, Andhra Pradesh. The French government had seconded him to work on a census-related project of the state's Bureau of Economics and Statistics. In 1983, he left – "we delivered almost nothing" – to spend the next 20 years with companies in Europe, Africa and the United States.

By 2003, when he was Senior Vice President with ABN Amro in Amsterdam, he had had enough. "We wasted too much time in meetings. Every Monday morning, there would be a four-hour meeting to take decisions that could be taken in five minutes. These anyway would be useless decisions." He wanted to get his hands dirty doing deals and set up his one-man outfit in France.

It took him five years to realise that though he had been out of India for two decades, India never really got out of him. So P2P opened a liaison office in Bangalore. Since then he has helped Lambda Televentures, a technology company, acquire French telecom antennae maker ARIALCOM, advised a Bangalore-based electrical components maker in purchase of technology from individuals overseas, helped consumer products maker IFB export to Europe, and facilitated Genpact's purchase of Atyati, a company known for its rural banking technology platform.

Montrelay can do all this himself because he knows his role very clearly. "I won't add a single comma to any contract. That is for the legal advisors to worry about. I am not an expert on products; my clients are. I know how to bring two parties together and how to handle the process."

That might sound simple, but is far from it. In a negotiation, Montrelay's clients always speak through him. He has to face the many moments of crisis that creep into a negotiation. If something unpleasant has to be conveyed, he is the man to convey it.

NISHIKANT GAMRE

Ajay Garg

Equirus Capital

Beginning: **July 2007**

First deal: **February 2008**

No. of deals: **52**

Value: **₹6,300 crore**

Size of the team: **20**

"We chose Francois because he has knowledge of banking and an amazing amount of rural experience. He is so hard-working he can put the Chinese to shame," says Prakash Prabhu, the promoter of Atyati, who continues as its CEO under Genpact. "Besides, he connects with people; he can say things I would be wary of saying, and yet in a manner that makes people accept them."

According to Montrelay, it helps that he is often the only non-Indian in the room, so he can take a detached view of things.

Francois Montrelay

P2P

Set up India office: **September 2008**

First deal: **2008**

No. of deals: **5**

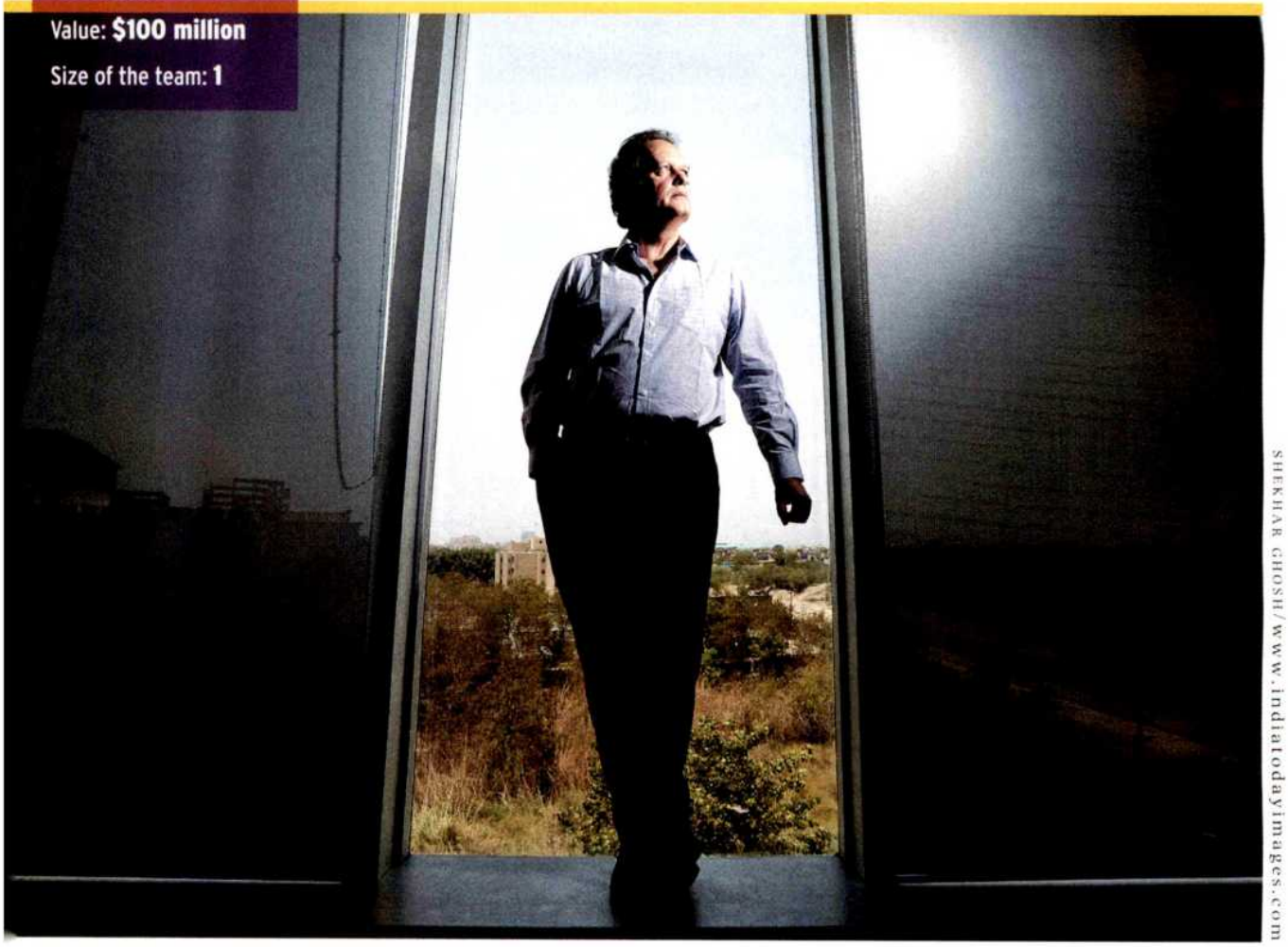
Value: **$100 million**

Size of the team: **1**

For Subramanyam of Veda, the mantra is quite the opposite. His company gets as close to the client as possible. That is one reason why Subramanyam and Kumar, the co-founders, never wanted to leave Chennai, although the city cannot be called a fertile ground for deals. Though Veda has offices in Hyderabad, Bangalore and a recent one in Mumbai, it is Chennai that is their big playground, their understanding of the local environment their edge.

For, the business environment down south is more conservative than in the west or north. Historically, south Indian business houses like to raise funds as debt rather than by parting with equity. Rarely would you see a public issue from the TVS group, or Amalgamations. When Subramanyam and Kumar, both of them born and brought up in Chennai, set up Veda in late 2003, their first challenge was to create a market in the city.

It is a testimony to Veda's relationship building skills that its clients come back to it. It struck its first significant deal when it brought fund house Carlyle into technology company



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2	3	Zhengzhou Commodity Exchange (CZCE) - **CHINA**	495.9	406.4	-18.1%
3	**6**	**Multi Commodity Exchange of India (MCX) - INDIA**	**197.2**	**346.2**	**75.5%**
4	5	ICE Group - **USA, UK AND CANADA**	264.7	310.0	17.1%
5	1	Shanghai Futures Exchange (SHFE) - **CHINA**	621.9	308.2	-50.4%
6	4	Dalian Commodity Exchange (DCE) - **CHINA**	403.2	289.0	-28.3%
7	7	London Metal Exchange (LME) - **UK**	112.4	138.5	23.2%

Note: Volume is expressed in terms of number of contracts traded in Jan-Dec 2011. This data is for single-sided trade.

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World's no. 1 in Gold and Silver | World's no. 2 in Natural Gas | World's no. 3 in Crude Oil##

Source: #Data published for the calender year 2011 on the websites of exchanges and FIA Annual Volume Survey released in March 2012. ##Based on the comparison of trading volumes (in terms of the number of commodity futures contracts traded) for the calender year 2011 sourced from the websites of exchanges and from FIA

Newgen for a partial buyout worth $10 million. Seven years later, Veda arranged a deal for Carlyle to exit and a group of PE funds to check in. FSS, a payment technology company, worked with it in 2004 and 2010. Updater Services, an integrated facility management company, in 2005 and 2008, and Bharat Matrimony in 2006 and 2008. In fact, Veda's biggest deal came when working with a client a second time.

Dubai-headquartered DM Healthcare, which has 130 hospitals, clinics and pharmacies in West Asia and India, was advised by Veda in raising $45 million from India Value Fund in 2008. Earlier this year, DM again tapped Veda to raise $100 million from Olympus Capital.

"If there is one thing we are truly proud of it is that in the last 15 years we have been at the forefront of spreading the equity cult in this city, spanning two generations of entrepreneurs," says Subramanyam.

C. Venkat Subramanyam

Veda Corp

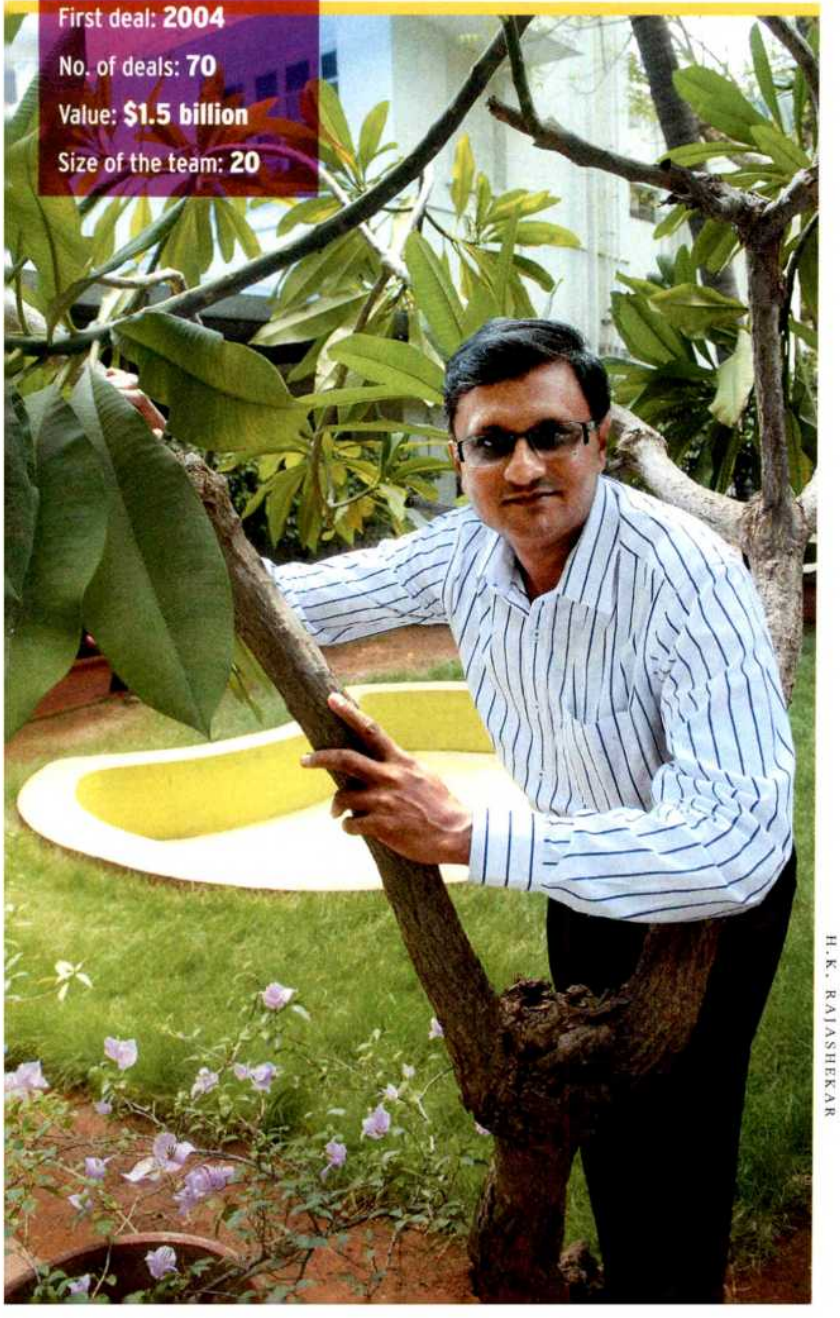
Beginning: **Late 2003**

First deal: **2004**

No. of deals: **70**

Value: **$1.5 billion**

Size of the team: **20**



H. K. RAJASHEKAR

This is not to say that the big investment banks have reached a dead end. According to Bloomberg data, Morgan Stanley remains the busiest investment bank in India with nine deals worth $15 billion already this year. KPMG Corporate Finance is second with seven deals worth more than $14 billion, and J.P.Morgan is third, matching KPMG's value with its five deals. "Strong infrastructure and global synergies give large investments banks the edge," says the unnamed India head of the Wall Street firm mentioned earlier, and adds: "There is a lot of space [for the big banks and boutiques] to co-exist."

Ambit's Sakhuja goes a step further to wonder if the two could co-exist within the same company, whether Ambit should set up a boutique of its own. "We have often debated that; we might do it."

Regardless of whether Ambit goes back to its roots, the tribe of boutique banks is certain to multiply. In recent times, Standard Chartered Bank's global head of M&A Prahlad Shantigram, Kotak Mahindra's head of investment banking Falguni Nayar, and UBS India head Manisha Girotra have quit to pursue their entrepreneurial ventures. And as this article was being written, news came that Ambit Corporate Finance's Managing Director Sanjay Bansal was leaving to set up his own investment bank.

Do not be surprised if you hear their names ensconced within $25 million to $100 million deals.

As for Tom Wolfe, he abandoned the cause four years ago. In a *New York Times* article of September 27, 2008, 12 days after Lehman fell, he said: "American investment banking, the entire industry, sank without a trace in the last few days." ◆

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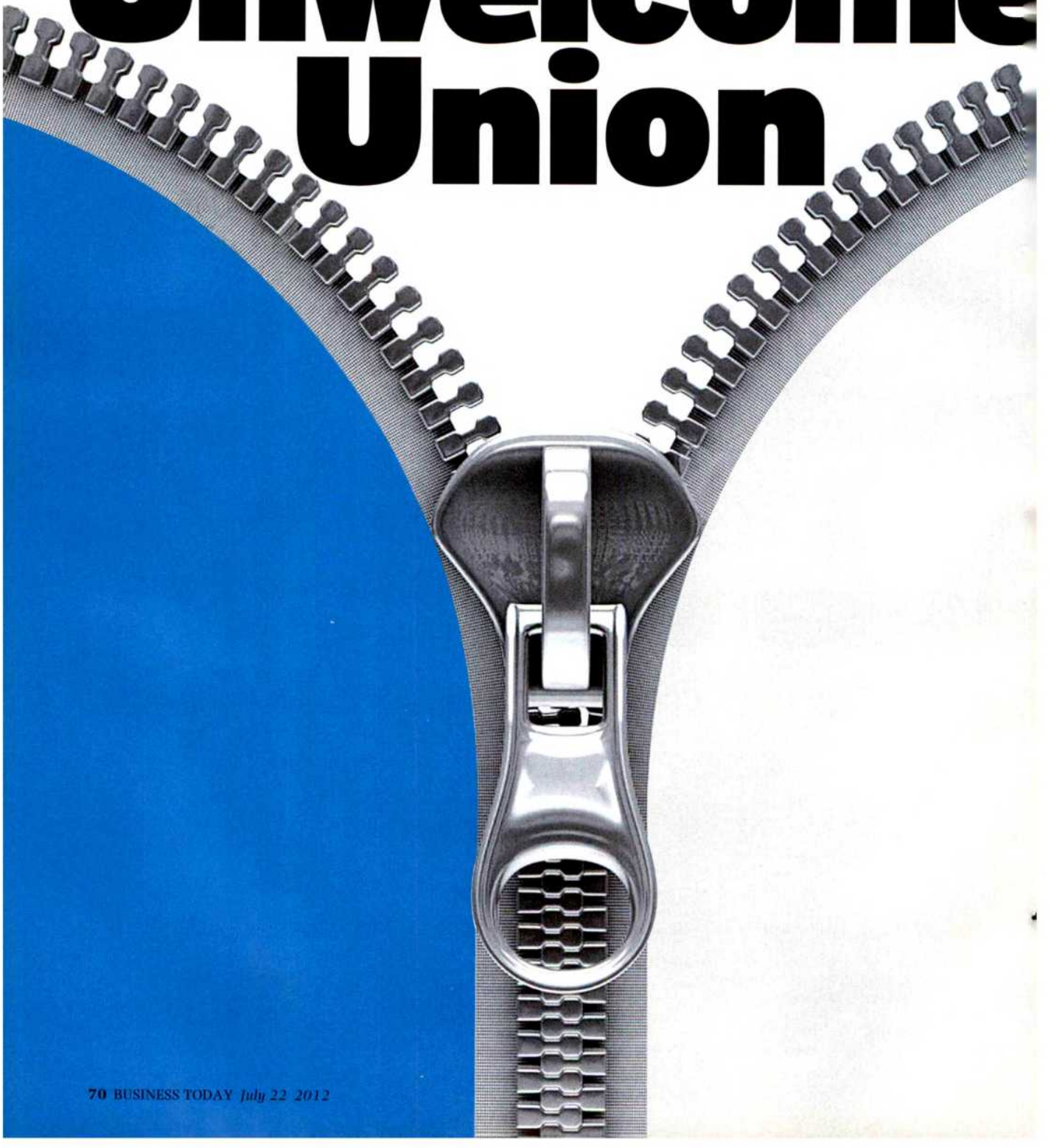
Intra-group mergers raise fresh concerns over Indian industry's corporate governance standards. By G. SEETHARAMAN and RAJIV BHUVA

Unwelcome Union



Amit Tandon's quiet demeanour hides a steely resolve. The mild-mannered 51-year-old champions the rights of minority institutional investors with his investor advisory firm, Institutional Investor Advisory Services (IIAS), often crossing swords with the high and mighty among India's corporate houses.

It's only a few days since tractor maker Escorts's controversial and complicated proposal – strongly opposed by IIAS – to merge three group entities with itself got its shareholders' nod. Tandon is not too surprised. "Shareholder activism is still in its adolescence in India," he says, sitting in IIAS's 15th floor office at the Bombay Stock Exchange (BSE).

Escorts joins the swelling ranks of companies advisory firms such as IIAS and Bangalore-based InGovern Research Services have trained their guns on recently for alleged unsound corporate governance practices related to intra-group mergers and acquisitions (M&As). Several other companies are also in the firing line, including Fortis Healthcare, Shriram Transport Finance Company (STFC), Akzo Nobel India and Sterlite Industries.

These advisory firms chorus that intra-group amalgamations are often a ploy by promoters to stealthily enhance their control over and boost valuations of group companies – a charge vociferously denied by promoter groups. There have been pitched battles, though the promoters have prevailed more often than not.

Escorts has been under a cloud ever since its board decided to merge three affiliates with itself in February. These include its wholly-owned subsidiary Escorts Construction Equipment Ltd (ECEL), and two associate firms, Escotrac Finance & Investments Pvt Ltd and Escorts Finance Investments & Leasing Pvt Ltd (EFILL), that together held 19.3 per cent in the listed entity.

While Escorts claims the objective was to create a bigger, more profitable company, IIAS and InGovern Research assert it is an attempt by the promoter family to gain greater control over the company surreptitiously.

"Shareholder activism is still in its adolescence in India"

Amit Tandon
Co-founder & MD, IIAS

The promoter holding in Escorts was 31.7 per cent pre-merger, including the shares acquired by the promoters in April and stakes owned by Escotrac and EFILL. While merging the three entities with itself, the shares held by the group firms have been transferred to a trust controlled by the promoters, which now holds 30.4 per cent shares in the company. The promoter family's direct holding in Escorts has fallen from 12.4 to 10.7 per cent post-merger, but its total control, direct and indirect, of Escorts has increased from 31.7 to 41.1 per cent due to the transfer of shares to the trust, according to IIAS. Escorts, though, rubbishes the claims. G.B. Mathur,

Executive Vice President, Law and Company Secretary, Escorts, says independent directors will control the shares lying with the trust. "To impute otherwise is mischievous and repugnant," he says.

As surprising as the Escorts plan – to investors and analysts alike – was Fortis Healthcare's decision last September to acquire Singapore-based Fortis Healthcare International, wholly-owned by its promoters Malvinder and Shivinder Singh, for $665 million. Analysts felt that the company was overvalued and the acquisition would pile debt onto the books of Fortis Healthcare. "The valuation was nearly 13 times EBITDA, which is a huge premium. Pre-acquisition, Fortis Healthcare's debt-to-equity was about one, now it's more than 2:1. The gross debt on its books is now ₹6,500 crore," says Siddhant Khandekar, an analyst with ICICI Securities. EBITDA is earnings before interest, taxes, depreciation and amortisation, and is one of the measures used in valuation of companies.

The result was a flight of investors from Fortis to its peer Apollo Hospitals between September 19, when Fortis made the announcement, and March 31, when the financial year ended, says Khandekar. While the Fortis stock fell by 30 per cent during that period, Apollo's rose 22.3 per cent. Fortis did not respond to *BT*'s questions.

"The merger of our firms will allow private equity investor TPG Capital a better exit option"

R. Sridhar
MD & CEO,
Shriram Capital

Barely a month after Fortis' announcement, Akzo Nobel NV, the world's biggest paintmaker, said it would merge its unlisted group entities – Akzo Nobel Coatings India, Akzo Nobel Chemicals India and Akzo Nobel Car Refinishes India – with Akzo Nobel India Ltd (ANIL), the listed entity. As part of the swap ratio, ANIL would issue 11.1 million shares to its parent, thereby raising the latter's stake from 56.4 to 67 per cent.

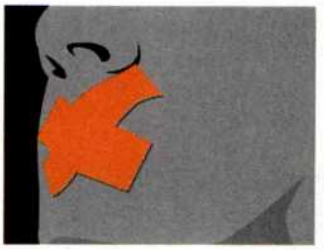
Amit Jain, Managing Director of ANIL, says the merger will make the group an integrated coatings and chemicals provider. ANIL is a decorative paints company, while the three group firms are focused on industrial paints and chemicals. "Now (post-merger), we have the portfolio and geographic presence to enter markets which we could not access in the past," he said in a letter to shareholders in May.

A section of the investors, though, believe that while it made sense for Akzo Nobel to have one entity instead of four, the valuation was skewed in favour of the unlisted companies.

Shriram Subramanian, Managing Director of InGovern Research, wrote in a February 2 report that given "the sketchy disclosures made by the company, the nebulous valuations presented to investors, the one-off write-offs and unsecured loans, and the disproportionate dilution of public shareholders", investors should vote against the

MUM'S THE WORD

Shareholder activism is common in developed markets. Institutional investors with significant minority stakes routinely haul companies over the coals for any perceived shareholder-unfriendly actions.



In India, though, such activism is rarely on display. Indeed, institutions seldom take on company managements, preferring to adopt a policy of least resistance.

BT examined the voting disclosures of the top five mutual funds in India for 2011/12 and the result was telling. Fund houses are mandated by the Securities and Exchange Board of India (SEBI) to disclose at the end of a fiscal year how they voted on resolutions of their investee companies. They do not have to give the rationale for the voting decision.

HDFC Mutual Fund abstained from voting on 163 resolutions, or over 34 per cent of the total of 474 management and shareholder proposals. The balance votes were for the proposals – significantly the fund has never voted against.

Reliance Mutual Fund has a better record. It abstained from voting on only 29 out of 2,071 resolutions, which is less than two per cent. The fund house voted in favour of 2,020 and voted against 22, which included all the seven in the March 15 annual general meeting of Escorts.

ICICI Prudential Mutual Fund abstained from voting on

BLOW-BY-BLOW

Investor advisory firms have lobbied against a string of group recast proposals

RESOLUTION	IIAS RECOMMENDATION	INGOVERN RECOMMENDATION
Merger of AkzoNobel group entities with AkzoNobel India	Against	Against
Merger of Escorts group entities with Escorts Ltd	Against	Against
Merger of Shriram Holdings (Madras) with Shriram Transport Finance	For	Against
Vedanta restructuring	Against	For

resolution. Anand Shah, an analyst with UK-based financial services company Elara Capital, also found the initial disclosures made by the company about the group entities inadequate.

"The main cause for the perceived misunderstanding by a section of investors was absence of information about the merging companies. In hindsight, we could have been more proactive in bridging this gap," says ANIL's Jain.

ANIL's court-convened meeting of shareholders on February 7 in Kolkata was full of drama. While a majority of the shareholders owning more than one per cent of the company were said to be opposed to the merger, two key investors – UTI Mutual Fund (UTI MF) and ICICI Prudential Life Insurance Company, with a 6.54 per cent stake together – abstained from voting. The resolution was eventually passed but not comprehensively. Whereas more than 25 per cent of votes are needed to block a special resolution, 23.15 per cent opposed it. UTI MF and ICICI Prudential did not respond to *BT*'s queries.

A much smaller amalgamation too has also come under scrutiny recently – the merger of Shriram Holdings (Madras) Pvt Ltd (SHMPL) with STFC. SHMPL and Shriram Capital are the promoters of STFC.

R. Sridhar, Managing Director and CEO of Shriram Capital, says the merger will allow private equity investor TPG Capital, which holds 49 per cent in SHMPL, a better exit option as post-merger it will hold a stake in STFC.

InGovern Research advised institutional share-

223 out of 225 resolutions, and voted in favour of two in two state-owned banks. ICICI Prudential's disclosures were the most user unfriendly with its website not allowing the user to search, save or take prints. "We adhere to the prescribed disclosure norms and how to present them is our prerogative," said Nimesh Shah, Managing Director and CEO of ICICI Prudential Asset Management Company. He also defends the fund's policy of abstaining. "We are careful at the start, and hence we do not vote unless there is something detrimental to the interest of our investors," he says.

UTI Mutual Fund abstained from voting on 2,444 out of 2,616 resolutions, or over 93 per cent of the total. The fund house voted for 170 resolutions and voted against just two. Birla Sun Life is yet to make its disclosures for the financial year ended March 2012.

The apathetic attitude of fund houses towards shareholder and management resolutions, with most abstaining from voting, has disappointed investor associations. "Mutual funds abstaining from resolutions take a very narrow view of their responsibility," says Virendra Jain, President of Delhi-based Midas Touch Investors Association. SEBI's voting disclosure norms are only a half-hearted attempt to improve corporate governance, he adds.

SEBI, though, asserts that it has done enough. "As a regulator, SEBI's function is not to keep a tab on who is voting and who is not," says U.K. Sinha, Chairman.

H.N. Sinor, CEO, Association of Mutual Funds in India (AMFI), sees a silver lining in the recent trend of rising investor activism. "There is a fiduciary obligation where the mutual fund trustees are answerable to their investors."

VIGILANTE ZEAL

It is sweet irony of sorts. Just two years ago **Shriram Subramanian (in pic)** was heading Asset and Wealth Management Consulting at Infosys Consulting. Now his proxy advisory InGovern Research Services, like its peer Institutional Investor Advisory Services (IIAS), has recommended that institutional investors vote against Infosys's resolution to retain its auditor BSR & Co.

Until Subramanian launched InGovern in 2010, proxy advisories were an alien concept in India. Such firms offer a gamut of services to institutional investors, including corporate governance research, risk monitoring and directors' and executive compensation analysis.

The world's most prominent proxy advisories are two US-based firms – Glass, Lewis & Co. and Institutional Shareholder Services.

Both Subramanian and Amit Tandon, Managing Director of IIAS, have their hands full, sifting through listed companies' resolutions with a fine-toothed comb to gauge their impact on minority investors. "Corporate governance is moving centrestage," asserts Tandon, former managing director of Fitch Ratings India, who co-founded IIAS with former Ambuja Cements chief Anil Singhvi.

Tandon and Singhvi have been very vocal on corporate governance issues plaguing Indian corporate houses, be it the complicated Escorts merger plan or the case of former Crompton Greaves Managing Director Sudhir M. Trehan selling his entire holding in the company just before the earnings announcement. "Progress (on this front) has been glacial and frustrating, but change will not happen overnight," says Tandon.

InGovern's backers include T.V. Mohandas Pai, former HR director at Infosys. Among IIAS's shareholders are the BSE, HDFC, Fitch Ratings and Tata Investment Corp.

Sandeep Parekh, former executive director, SEBI, and Founder, Finsec Law Advisors, believes the services offered by proxy firms reduce operational costs for institutions. "In the West, few institutions vote contrary to the proxy advisories' advice," he says.

holders in STFC to oppose the resolution seeking the merger, subsequently approved by investors. Its contention was that the swap ratio favours the promoter arm.

SHMPL holds 9.33 crore shares, or 41.26 per cent in STFC, and Shriram Capital holds 4.38 per cent. Post-merger, shares held by SHMPL will be cancelled and STFC will allot 9.38 crore equity shares to shareholders of SHMPL.

"Without any stated reason, the proposed share-swap is tilted in favour of the shareholders of SHMPL. As SHMPL's sole business is its holding of STFC's equity shares, the rationale of allotting an excess of five lakh equity shares is not disclosed by the company," says an InGovern note. Queries sent to STFC shareholders, Ontario Teachers' Pension Plan and Stichting Pensioenfonds ABP, the largest Dutch pension fund, went unanswered.

Investor groups believe that intra-group transactions escape close scrutiny in India. Investors would rather exit a company than stay on and fight, unlike their counterparts in the developed markets, according to Tandon.

For instance, Bajaj Allianz Life Insurance and SBI Mutual Fund, which together held 2.39 per cent in ANIL at the end of the December quarter, pared their stakes in the following quarter. Similarly, Reliance Mutual Fund sold nearly half its eight per cent stake in Escorts to the promoters in April.

Intra-group transactions came under the scanner in December 2008 when Ramalinga Raju-owned Satyam Computer Services announced the acquisition of unrelated group companies Maytas Infra and Maytas Properties. This deal, which was later called off, was the first indication of the ₹7,800 crore fraud at Satyam.

Two months later, realty major Hiranandani Group had to call off its plan to merge Hiranandani Development with Hirco, listed on the London Stock Exchange's Alternative Investment Market, owing to opposition from investors, primarily Laxey Partners. Unlike in India where funds prefer to divest their stake in a company if they are uncomfortable with its plans, Laxey fought for a rollback before parting ways with Hirco.

India still cannot boast of any high-profile activist investor. The US has the likes of hedge fund manager Daniel S. Loeb, the Yahoo! shareholder responsible for ex-CEO Scott Thompson's exit over a fake college degree claim, and 'corporate raider' Carl Icahn, who is forcing changes at Oklahoma-

based Chesapeake Energy.

Even investors known for their activism in India have mostly been foreign funds. For instance, the London-based Children's Investment Fund has been threatening to take Coal India to court over its fuel supply agreements. US-based T. Rowe Price, which holds 26 per cent in UTI Asset Management Company (UTI AMC), has made its displeasure known to the government over the appointment of former UTI AMC Chairman U.K. Sinha's successor.

Indian institutional investors need to collaborate and take a principled stand on many issues, according to InGovern's Subramanian. "Global pension funds, mutual funds, endowments, foundations, etc, have detailed guidelines and send annual letters to companies on what they expect of their investee companies from the corporate governance perspective," he says.

"We do not vote unless there is something detrimental to the interest of our investors"

Nimesh Shah
MD & CEO, ICICI Prudential AMC

Virendra Jain, President of Delhi-based Midas Touch Investors Association, attributes the poor investor activism to a "toothless regulatory framework". Tandon feels differently. "Indian funds tend to tiptoe around issues. They do not want to vote against an important resolution as they fear it could affect their relations with the company," he says.

Thus, while the recent spate of intra-group mergers have sparked off a much-needed debate on corporate governance standards in India, a lot of ground still needs to be covered. ◆

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Fan Club

Japanese companies are trying to invest in India's growth, but expect India to meet them halfway.

By SUMAN LAYAK

On a May morning in Tokyo, the cups of steaming green tea on the table remain untouched as Nippon Life Insurance Company's Executive Vice President Takeshi Furuichi explains why the room is so hot. It is because of Cool-Biz, he says. The programme to reduce energy consumption, begun by the Japanese government in 2005, took on a more urgent edge after the nuclear meltdown that followed the 2011 earthquake. One of the measures in the campaign is to set office air conditioners no lower than a balmy 28 degrees Celsius. Nippon Life's headquarters in Tokyo's Marunouchi commercial district is no exception. Furuichi says he is wearing a suit today only to receive visitors from India – jackets and ties are optional during Cool-Biz. Indeed, on June 1, as rain drove the humidity up, Japan launched 'Super Cool-Biz', declaring Hawaiian shirts and sandals as acceptable office attire.

Super Cool-Biz is an apt metaphor for how Japanese business – and Japan itself – is adapting to changes at home and in the world. The country's population of around 127 million is greying and shrinking. It is expected to decline 0.077 per cent this year. The median age is 44.8 years, compared with 26 in India. Only 13 per cent of Japanese are less than 14 years old, compared to 29.7 per cent of Indians. Japan's economy shrank 0.05 per cent in 2011. The interest rate has been zero per cent for the last three years. These numbers have forced Japanese companies to look overseas for growth.

BETTING ON INDIA

Some recent investments by Japanese financial services companies

March 2011
Nippon Life buys 26% stake in Reliance Life Insurance for ₹3,000 cr

January 2012
Nippon Life buys 26% stake in Reliance Mutual Fund for ₹1,450 cr

February 2012
Mahindra Satyam, Japan's SBI Holdings launch a $50 mn joint global fund

April 2012
Mitsui Sumitomo Insurance picks up 26% stake in Max New York Life

April 2012
Mitsui Global Investment opens its first private equity arm in India

Consider insurance. Penetration is 93 per cent, and insurers cannot grow within Japan unless they fight each other for a bigger slice of a shrinking pie. Insurers are preparing for the huge wave of retirement that Japan is expecting in the next four years, by designing more retirement products. For asset management, they need to invest clients' funds abroad.

"Today, it is important for us to buy into the growth in India," says Yoshinobu Tsutsui, President and CEO of Nippon Life Insurance, the largest life insurer in Japan, and the sixth largest in the world. He is putting his money where his mouth is. Nippon Life bought a 26 per cent stake in Reliance Life Insurance Company Ltd in March 2011. It also announced the purchase of a similar stake in Reliance Mutual Fund in January 2012.

The Japanese financial services industry has made several investments in India in the last year (see *Betting on India*). Life insurer Mitsui Sumitomo said earlier this year that it will buy out New York Life from Max New York Life. Tokio Marine's joint venture with Edelweiss, formed in 2008, started operations in 2011. Dai-ichi Life Insurance Company Ltd has a 26 per cent stake in a 2007 joint venture, Star Union Daiichi Life Insurance. Dai-ichi Life is Japan's third largest insurer, and the world's 10th largest. In securities, Daiwa and the Nomura Group have bought stakes in Indian companies and expanded operations in India.

"We are not worried about short-term issues...India's growth is a long-term reality"

Yoshinobu Tsutsui
President and CEO,
Nippon Life Insurance Company

Japanese companies have invested in the US and Europe, but find the growth rates there unexciting. Often a lot of business in the US or UK is restricted to selling to Japanese expats and companies operating in these markets.

Daiwa is also investing in ASEAN countries such as Vietnam where the regime is more investor friendly than India's. Then there is Brazil, which has almost 1.5 million people of Japanese origin who migrated early in the 20th century. This population is a ready market for Japanese companies and is a great inducement for investing in Brazil.

Daiwa Securities Group's Senior Managing Director Mikita Komatsu does not share the bullishness of Nippon Life's Tsutsui about India. Komatsu, whose office is in the Gran Tokyo North Tower, also in Marunouchi, says things are "not so easy" for Japanese financial services players in India.

Komatsu says two decisions by Indian regulators queered the pitch for Daiwa in India. Daiwa is a primary dealer registered with the US Federal Reserve, and wants to expand in Asia. It applied to register with the Reserve Bank of India too as a primary dealer here. "A month before the decision, they changed the rule to make a year's experience in bond dealing in India mandatory."

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Better ways to engage customers, motivate the team, and target new opportunities PAGE 49

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said Komatsu. RBI's decision proved costly for Daiwa, which had set up a subsidiary. Then, the Securities and Exchange Board of India (SEBI) decided to disallow entry load on mutual funds. This derailed Daiwa's plan to start a full-fledged asset management business. Komatsu is also disappointed by the Indian economy's 5.3 per cent growth rate.

But Tsutsui is unperturbed. "We are not worried about short-term issues," he says. "Insurance is a long-term business, and India's growth is also a long-term reality."

Not even the 2011 earthquake and tsunami got in the way of Nippon Life's pursuit of India. On March 10 – the day before the tsunami – Reliance Capital CEO Sam Ghosh returned from Tokyo with the draft agreement that would give Nippon Life a 26 per cent stake in Reliance Life. Tsutsui was to visit Mumbai for the signing ceremony three days later. He could not make it, but the high water did not deter Nippon Life from formalising the pact on e-mail. In January 2012, Tsutsui finally made it to India – this time to buy 26 per cent in another Reliance Capital subsidiary, Reliance Mutual Fund.

It is not just the Japanese financial sector that is interested in India. Alok Prasad, who was India's ambassador to Japan until June 30, 2012, says all sectors of industry there are eyeing the Indian market. "We have been holding prefecture-wise meetings in Tokyo to introduce companies to India," he told *Business Today*. "We get at least 100 to 120 small and medium companies at each meeting."

Arun Goyal, Minister (Economic and Commercial) at the Indian Embassy in Tokyo, says: "Today, 850 Japanese companies are active in India. There were only 200 around four years ago."

"Two decisions by Indian regulators queered the pitch for us in India"

Mikita Komatsu
Senior Managing Director,
Daiwa Securities Group

The India-Japan Comprehensive Economic Partnership Agreement, which came into force in August 2011, has helped open up the Japanese pharma sector for Indian companies, and improve Indian professionals' access to Japan's job market. Small Japanese companies have woken up to India, too. (Read about Mika International's efforts to sell a samosa-making machine at *http://tinyurl.com/samosa-machine*).

Much of this interest in India is due to Japanese companies' disillusionment with China. Jun Hemmi, Executive Director of Edelweiss Tokio Life Insurance Company, who was the first CEO of Iffco Tokio General Insurance Company nearly a decade ago, says China is a challenge for Japanese companies. "We have not been best of friends," he says. "It's like an Indian company trying to sell retail products in Pakistan. India is where we want to be for growth." He adds India's regulatory regime is fairer than China's, and the state-owned Life Insurance Corporation of India will not have an unfair advantage over private insurers.

Hemmi says Tokio Marine, which manages large pension funds in Japan, would like to invest some of that money in India. The exchange rate is a worry, though. "In 2000, a rupee equalled three yen, but now it is less than 1.5 yen," he says. However, he adds that India, like any democracy, works at its own pace, and Japanese companies are fine with that.

They do not accept everything, though. Nippon Life, for example, is trying to influence the work culture of its Indian venture. More than 90 per cent of its Japanese insurance advisors are women, for instance, and it is urging Reliance to explore the possibility of a similar trend, say Reliance Capital officials. It also emphasises staying actively in touch with customers for policy renewals and claims processing. In March 2011, after the earthquake in Japan, Nippon Life advisors searched for surviving customers in relief camps to help them file claims.

Tsutsui of Nippon Life insists that in the 60th year of India and Japan's formal diplomatic relationship, the two countries should forge ties that go beyond economics: explore cultural links and their common Buddhist heritage. ◆

The author travelled to Japan at the invitation of Reliance Capital Ltd.

Send your comments to editor.bt@intoday.com

Who Is Prakash Bajpai?

After building a low-cost Wi-Fi business, the man who heads Tikona Digital Networks is gearing up to take on the big boys in the mobile broadband arena

By ANAND ADHIKARI

When it comes to broadband, particularly the wireless kind, Prakash Bajpai is a man possessed. To illustrate its power, he proudly displays the bill run up by his sons Abhiram, 26, and Prashant, 21. In just a month, they have consumed 120 gigabytes of data. "That is equivalent to watching 120 movies a month," says Bajpai, Founder, MD & CEO of Tikona Digital Networks. He believes broadband has the potential to become a much bigger industry than voice, thanks to the advent of 4G, or wireless broadband, for which he holds licences. "The voice business will be dead meat in the next two years," declares Bajpai.

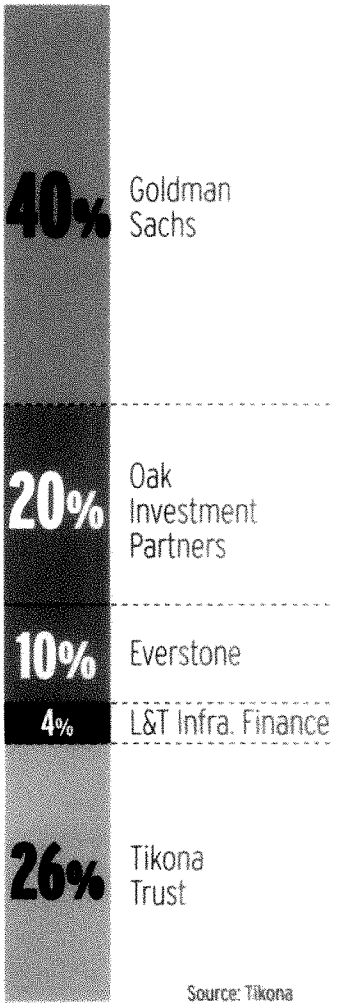
The obsession with broadband has driven Bajpai's every action since he quit as President & CEO of Reliance Communication to turn entrepreneur. Believing that voice telephony had reached saturation point with rock-bottom tariffs and commoditised services, he launched Tikona in 2008 along with two of his former colleagues, Tarun Kumar and Heramb Ranade. A year later, the trio received $110 million in funding from Goldman Sachs, Oak Investments and Everstone. At the time, there was no 4G spectrum in sight and broadband penetration was at just one per cent compared to teledensity of nearly 80 per cent. While everyone was scrambling for voice spectrum, Bajpai placed his money on wireless broadband, albeit of a different kind.

Tikona's entire business model was built on 'free' spectrum, available between the 2.4 GHz (gigahertz) and 5.8 GHz frequencies, which does not need a government licence. Many Internet service providers (ISPs) use unlicensed spectrum to offer limited Wi-Fi services to households and businesses. Customers get speeds of up to 2 mbps (megabytes per second), equivalent to the speed of newly launched 3G services. Unlike other ISPs, however, Bajpai planned to build a nationwide broadband business using this spectrum. Today, he has built a business that spans 39 cities and boasts 250,000 customers, including 12,000 SMEs and 1,000 large corporations. In January 2011, Tikona, headquartered in Bhandup, a suburb of Mumbai, bought the loss-making HCL Infinet, a networking services company. The acquisition gave it large customers such as HDFC, Mahindra, Cipla and IndiGo.

About six months earlier, Tikona won 4G licences and spectrum in five states. "It is a logical extension," says Bajpai. But perhaps he did not have much of a choice. "You cannot build a long-term sustainable business model by using unlicensed spectrum. There are scaling up challenges," says the CEO of an ISP, speaking on condition of anonymity. Tikona's broadband services are restricted to the vicinity of homes or offices and not available on the move. The 4G spectrum will plug this gap, giving it a huge mobile broadband market.

Bajpai, an engineering graduate from Delhi University, began his career at IBM as an electronics engineer before moving on to Philips. His first assignment as CEO came in 1999, when he joined Hughes Telecom. While there, he drove the company's initial public offering (IPO), the country's first telecom IPO. In 2002, he was roped in by Mukesh Ambani, Chairman of Reliance Industries Ltd (RIL) to spearhead its telecom venture, Reliance Communications. When the RIL empire was split between the Ambani siblings, Bajpai ended up in Anil Ambani's ADAG Group and

AN EASY ACQUISITION TARGET

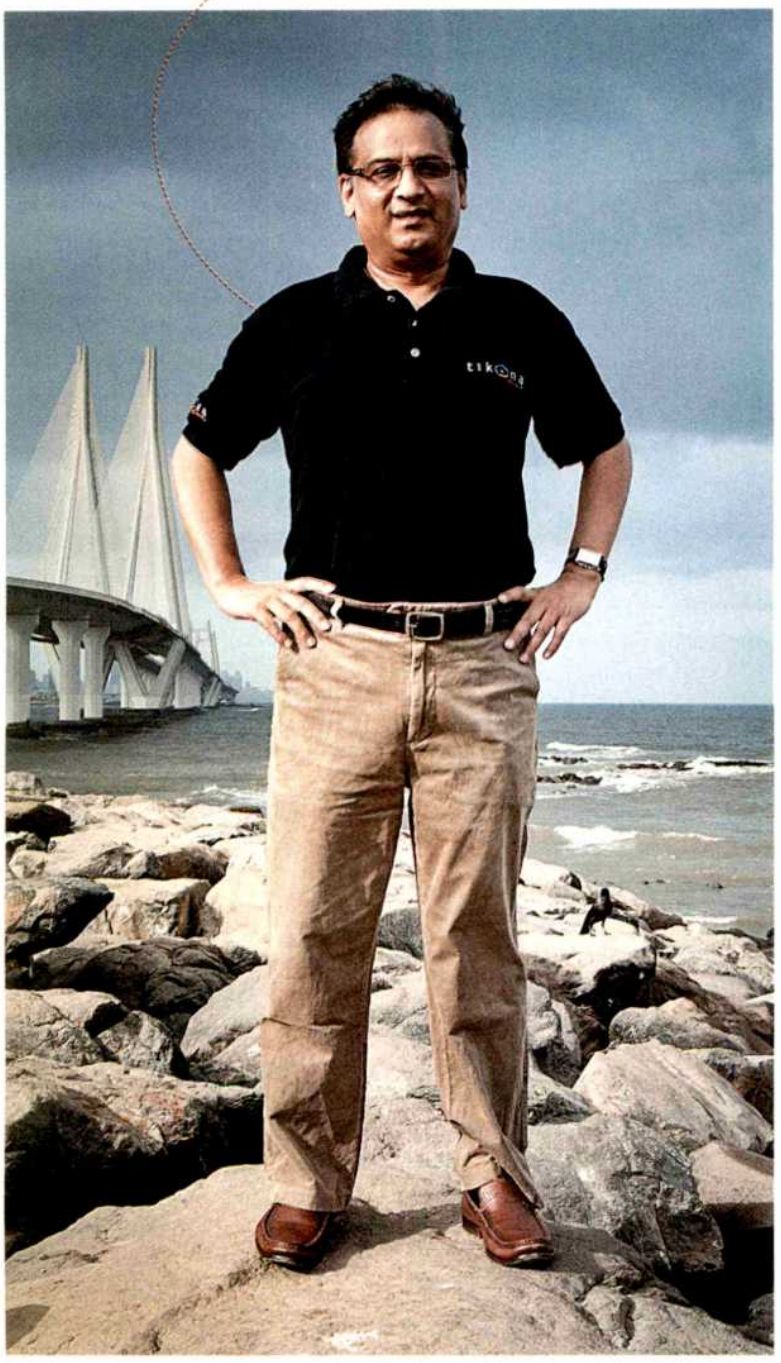


Source: Tikona

PHOTOGRAPHS BY RACHIT GOSWAMI

"The voice business will be dead meat in the next two years. **Broadband is today at the stage where voice telephony was a decade ago"**

Prakash Bajpai, Founder, MD & CEO, Tikona Digital Networks



remained with it until 2008. During that six-year stint, he launched the company's broadband, enterprise, data centre and direct-to-home (DTH) businesses. Now, he will take on Mukesh Ambani's Reliance Infotel in the 4G space.

"The price we bid for 4G was one sixth of (what others bid for) 3G," says Bajpai. The 3G auction, which happened three days before the 4G auction, ended up stretching the balance sheets of the already-battered telecom operators. As a consequence, many of them have no 4G spectrum. Only two private operators, Bharti and Aircel, turned up for the 4G auction, where nearly a dozen companies participated. One of them, Infotel, which bagged a pan-India licence, was acquired by RIL.

Analysts say Bajpai has been lucky to get 4G spectrum dirt cheap compared to rivals such as Reliance Infotel, which paid $2.7 billion for its pan-India licence. Bajpai paid less than 10 per cent of that (₹1,058 crore) to get licences in circles that account for 30 per cent of the population. "Today, 26 per cent of telecom revenues are generated from the five states where Bajpai won bids," says an analyst.

Tikona is closely watching every move by Reliance Infotel and Sunil Mittal's Bharti Airtel. In May, Airtel, the first operator to launch 4G services in Kolkata and Bangalore, acquired a 49 per cent stake in Qualcomm's broadband wireless venture. This gives it spectrum in four more circles. Reliance Infotel, meanwhile, is exploring a tie-up with technology player HFCL.

Bajpai says Tikona will launch 4G services next year. He wants RIL and Bharti to develop the ecosystem of vendors, test the new technology and bring down handset prices.

Today, Tikona scores over the others thanks to its experience dealing with broadband customers.

Tikona's average revenue per user is ₹600 against less than ₹300 for voice operators. "We are on the way to profitability in the third year itself," says Bajpai. This will be one of the fastest break-evens in the telecom sector (broadband), where companies typically take 12-14 years to break even.

However, the 4G rollout will mean an increase in capital expenditure. But Bajpai says he will not shy away from taking Tikona public to raise resources. There are other options, too, such as roping in a strategic investor or private equity. It helps that the company's debt levels are low at $100 million, against equity of $300 million.

Bajpai still remembers the initial meetings with venture capitalists when he was looking to launch Tikona. All of them wanted to know if the technology had been used before, to which his answer was in the negative. The economic environment was also difficult at the time – the US had just been hit by the Lehman Brothers crisis. But Bajpai and his team stayed focused and managed to raise some funding.

But what if 4G goes the 3G way? 3G has been a non-starter because of high tariffs (a consequence of the high spectrum cost), low penetration of high-end handsets and poor download speeds. Experts believe 4G will have no such problems. For starters, they point out, the data speed on a 3G network is up to 3 mbps, whereas 4G offers speeds up to 10 mbps. So, while it takes an hour to download a two-and-a-half-hour movie using 3G, it will take just 10-15 minutes on 4G. Moreover, 4G prices are likely to be lower because of the far lower spectrum charges.

"The big challenge is availability of high-end handsets," says Mohammad Chowdhury, telecom leader at PwC. A bigger challenge will be 4G's inability to offer voice services, unlike 3G. The decade-old 3G technology is well-tested whereas 4G rollouts have just begun even in the US and Europe. "That's an advantage as we are on the same cutting edge of technology," says Bajpai.

Moreover, broadband is very different from voice telephony. It requires continuous IT support throughout the day to resolve any issues, something Tikona has experience in. "Pricing, together with customer experience, will play a decisive role for the success of any operator in 4G," says PwC's Chowdhury.

Tikona appears to have mitigated many of its business risks by using unlicensed spectrum profitably. The big challenge before Bajpai now will be to scale up through 4G without losing management control of the company. Three foreign investors already own 70 per cent of the company. So, will he sell? "At the right price anything is possible," says Bajpai with a straight face. "The focus right now is to exploit the opportunity." ◆

4G ROLLOUTS

Reliance Infotel
Pan-India: 22 circles
Proposed rollout in the second half of 2012
Possible tie-up with Network18 for content and HFCL for fibre cable

Bharti Airtel
Licences for Maharashtra, Punjab, Kolkata and Karnataka
Has launched services in Kolkata and Bangalore

Aircel
Licences for Andhra Pradesh, Tamil Nadu, West Bengal, Bihar, Odisha, Assam, Northeast and J&K
Plans to launch services in 2012

Qualcomm
Mumbai, Delhi, Kerala and Haryana
Sold 49% stake to Bharti

Augere
Madhya Pradesh and Chhattisgarh
Plans to sell its spectrum and exit India

Tikona
Licences for Gujarat, UP East and West, Rajasthan and Himachal Pradesh
Already in data space. Plans to launch 4G services this year

BSNL
All India except Mumbai and Delhi
Plans to surrender licences in some/all states

MTNL
Mumbai and Delhi
Not announced

Source: Markets

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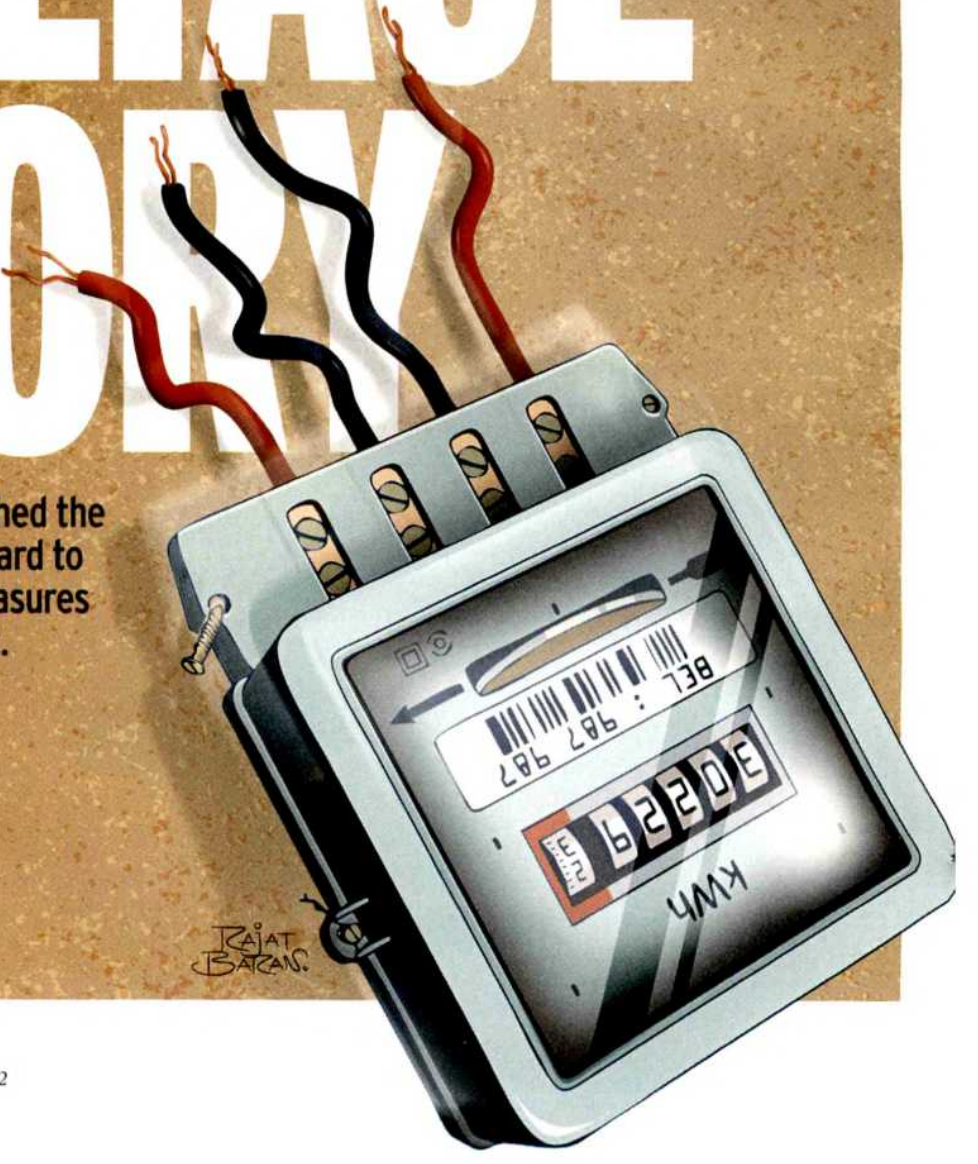
LOW VOLTAGE STORY

Mismanagement has pushed the Tamil Nadu Electricity Board to the edge. And recent measures to revive it may fall short.

By N. MADHAVAN

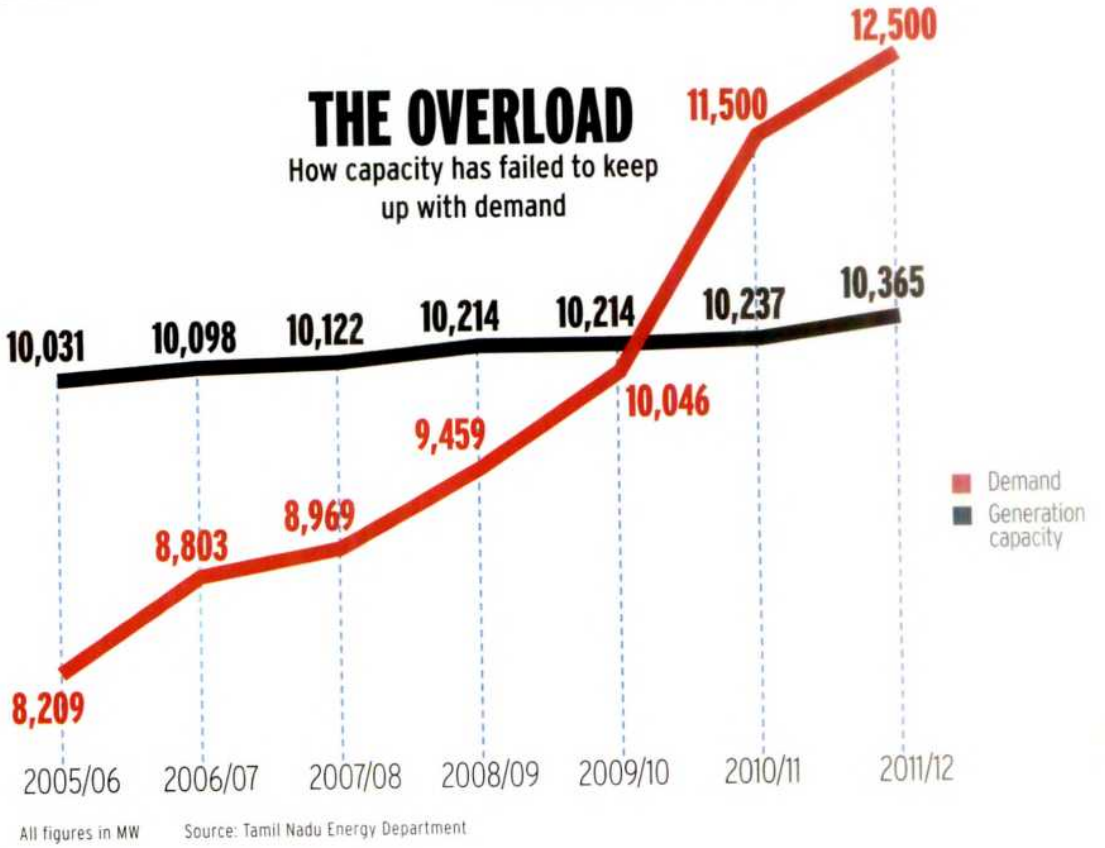


It's not hard to see why India's tryst with wind energy began in Muppandal (in the 1990s). In the first week of June, a slight drizzle heralded the arrival of the South-west Monsoon in the small town on the Tamil Nadu side of the Western Ghats. With each hour, the wind blowing through the many passes of the cloud-kissed Ghats grew stronger. These high-velocity winds, which last for six months, make the Muppandal region one of the windiest in the country. This year the winds set in early, yet, investors, who have set up over 3,000 windmills in the region, are worried. They fear the Tamil Nadu Generation and Distribution Corporation (TANGEDCO) will not be able to harvest the energy. "There is wind. There are windmills to generate power and meet the deficit. But the power utility lacks evacuation capacity (infrastructure to take the wind power onto the grid)," says A.V. Dharmakrishnan, CEO of Madras Cements. His company is the largest investor in wind energy in Tamil Nadu, and has a generation capacity of 154 MW.

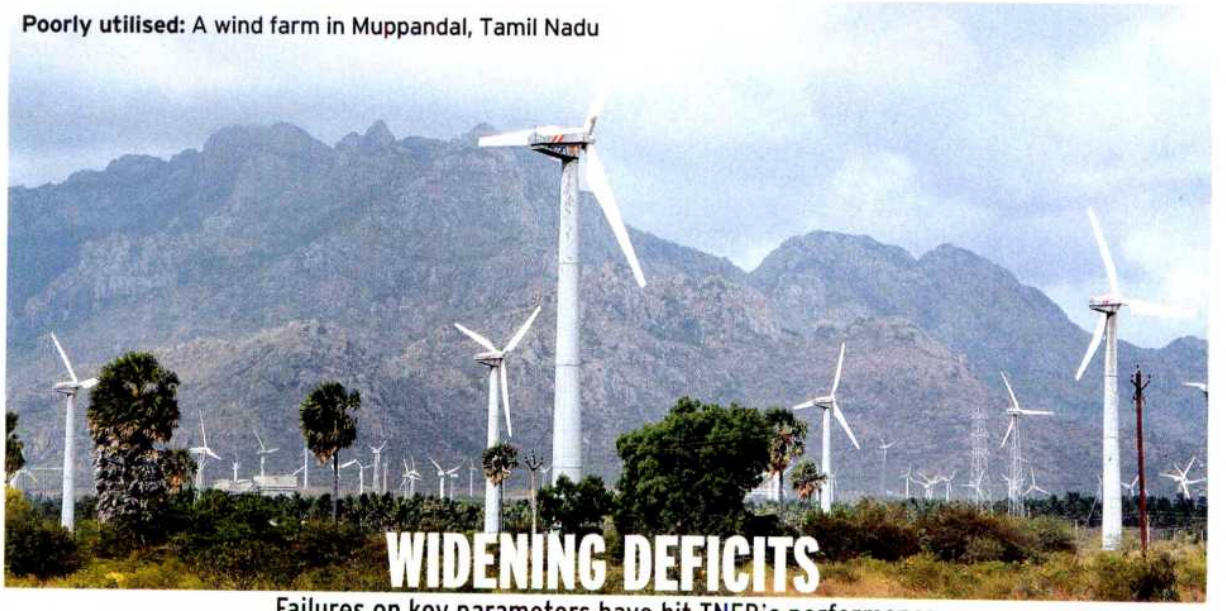
Debilitating power cuts have tarnished Tamil Nadu's reputation as an ideal investment destination

At 8,500 MW, TANGEDCO's power generation falls well short of Tamil Nadu's peak demand of 12,500 MW (see *Widening Deficits*). While wind energy will not make much of a dent in that deficit, the utility's inability to make use of the cheap energy from Muppandal is incomprehensible. Last year alone, an estimated 350 MW, about 10 per cent of the state's total deficit, was lost during the peak season.

In many ways, the inability to harness wind energy epitomises the state of affairs at the Tamil Nadu Electricity Board (TNEB), TANGEDCO's parent. In a recent report, the Comptroller and Auditor General of India (CAG) castigated TNEB and its subsidiaries for "lack of proper planning and synchronisation of all (expansion) activities". That lack of foresight has run the once-efficient TNEB into the ground. It has defaulted on payments, failed customers – both industry and the common man – and is hurtling towards bankruptcy. In 2010/11, the last year for which figures are available, its revenue deficit stood at ₹14,313 crore and accumulated losses topped ₹50,000 crore. "It is a colossal management failure," says a TNEB veteran who did not wish to be identified.



Poorly utilised: A wind farm in Muppandal, Tamil Nadu



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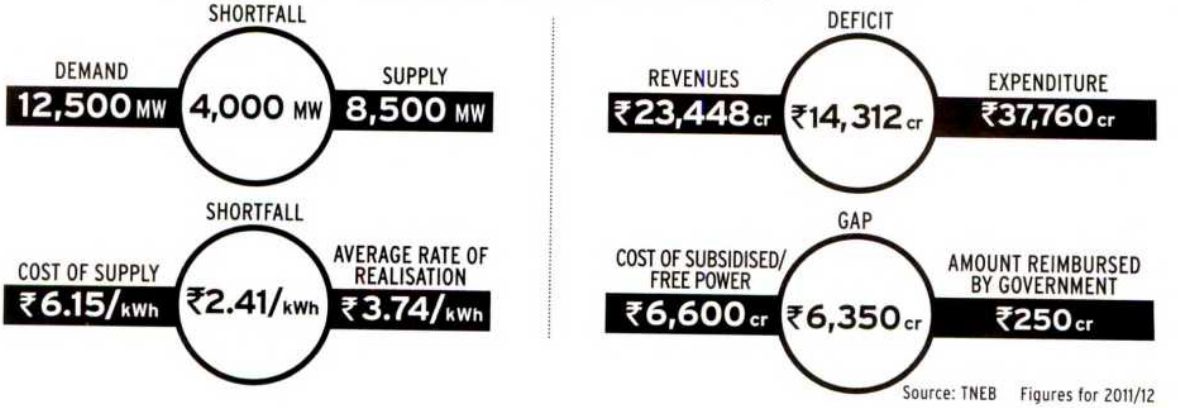
WIDENING DEFICITS

Failures on key parameters have hit TNEB's performance



Source: TNEB Figures for 2011/12

The impact of the mismanagement has been severe. Debilitating power cuts have hurt industrial competitiveness and demolished Tamil Nadu's image as a favoured investment destination. TNEB has lost its most prized customers, large industries, who have chosen to invest hundreds of crores to set up captive power plants rather than rely on it for power. These include cement companies such as India Cements and Madras Cements and high-energy consumers in other sectors.

On the generation side, TNEB has added just 333 MW of capacity in the last seven years when demand actually rose by more than ten times that (see *Road to Ruin*). The last major power project executed in the state is the 630 MW North Chennai Thermal Power Plant back in 1995. "Prior to 1990, we were investing regularly in capacity augmentation. Then policies changed and the private sector was encouraged to generate power," says S. Akshayakumar, Director, Transmission Projects, TANGEDCO.

Between 1992 and 1994, Tamil Nadu signed 14 MoUs with private companies for power plants. Only five were built

But the private sector failed to deliver. In the 1992 to 94 period, more than two dozen agreements were signed with private players, of which only five materialised. Similarly, between 1998 and 2003, 20 short-gestation projects were signed of which only two went ahead. This should have set alarm bells ringing in the imposing TNEB headquarters on Anna Salai, Chennai's arterial road. However, the utility failed to act. When it finally awoke in 2005/06 and announced a few projects, the demand-supply gap had widened. Worse, the projects were delayed.

"Had they come up on time, we would still have avoided the present crisis," says Rajeev Ranjan, TNEB's Chairman and Managing Director, who was brought in last year to turn the utility around.

If TNEB fell short on forecasting demand and augmenting supply, its

financial management was a disaster. Year after year it yielded to pressure from the state government and failed to revise tariffs. In the 2000 to 10 decade, it sought tariff revisions only three times even as costs shot up. Some of these were partially rolled back later. The recent revision in April 2012 was the first one in five years. But it will take a lot more to undo the damage. With power, fuel, wage and interest costs shooting up, TNEB's average realisation in the last five years amounted to just ₹3.74 per unit against an average supply cost of ₹6.15 per unit.

"Failure to revise tariffs annually is the major reason for under-investment by TNEB," says Kameswara Rao, Energy, Utilities and Mining leader at PwC.

Also, with successive governments unwilling to bear the subsidy cost, the management meekly agreed to carry it on its books. According to TNEB estimates, 11 billion units, worth ₹6,600 crore, are given as free/subsidised power annually. Until last year, all that the utility got from the government was ₹250 crore towards the subsidy.

"To bridge the revenue deficit and fund the subsidy, TNEB had to borrow heavily and this hurt its finances badly," says G. Rajagopal, Director (Finance), TANGEDCO. That has left it with a debt burden of ₹45,000 crore and a 'junk' credit rating.

The utility has also failed to adhere to various regulatory norms and orders, including those on metering agricultural connections, proper treatment of transmission and distribution (T&D) losses, or removal of cross-subsidisation. TNEB's relatively decent T&D loss of 18 per cent – the national average is 27 per cent – has been questioned by the regulator. The lack of proper metering makes it difficult to distinguish between theft, subsidised power and the actual T&D loss.

Chief Minister J. Jayalalithaa has made reviving Tamil Nadu's energy sector a top priority since returning to power last year. Her Vision 2023 plan calls for investments worth ₹4.5 trillion in the state's power sector with strong private sector participation. Of this, over ₹2.5 trillion will be utilised to augment power generation capacity by 20,000 MW, and the rest used to develop transmission and distribution infrastructure. This includes setting up a separate feeder line for agriculture and establishing a dedicated corridor to evacuate power generated by windmills.

Immediately, the state government has given TNEB an ₹11,000 crore guarantee to meet its obligations. "Delayed projects have been given priority," says Ranjan. "From April, the tariff has been revised sharply to generate an additional 7,875 crore in 2012/13. We should have a power surplus by end-2013."

But achieving a power surplus would not necessarily signal a revival at TNEB. The core issues that led to the current crisis are yet to be addressed. This includes reforming the electricity board, which has grown too big to govern. "We have unbundled TNEB into a holding company, with two operating companies handling generation/distribution and transmission. Staff and asset separation is yet to be done," says Ranjan. That is a big task as the labour unions are fiercely opposed to the plan.

"The failure to pursue meaningful structural reforms precipitated TNEB's slide... and worse, is starting to put off new investors," warns PwC's Rao. The utility will need to seek annual tariff revisions and make it clear that while it is the government's prerogative to offer subsidies, it will not carry that burden on its balance sheet.

While that will be no easy task, Madras Cements' Dharmakrishnan and other corporate leaders are hopeful that the new management at TNEB will be able to deliver on the government's promises. And that Muppandal's wind will do more to ease Tamil Nadu's power problems. ◆

ROAD TO RUIN

- TNEB has added generation capacity of just **333 MW** in the last seven years
- Demand has increased by **3,791 MW** over that period
- Accumulated losses totalled **₹50,000 crore** in 2011/12
- Total debt: **₹45,000 crore**
- It has to pay private power producers and contractors **₹8,000 crore** in dues
- In five years, its revenue deficit has shot up **11 times**
- It loses **₹3,000 crore** annually due to 2.2 million defective meters
- Its interest burden has spiked **300%** in five years
- TNEB's **rupee bonds** have been rated 'junk'
- It has **55,000** field vacancies

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SUNBURN

Hit hard by overseas rivals, solar panel manufacturers are changing strategies to stay on in the business. By ANAND J.

It is a curious paradox. Though more and more solar energy is being produced in India – installed capacity rising exponentially from just 20 megawatts (MW) in 2009 to 980 MW by April 2012 – domestic solar panel manufacturers are in the doldrums.

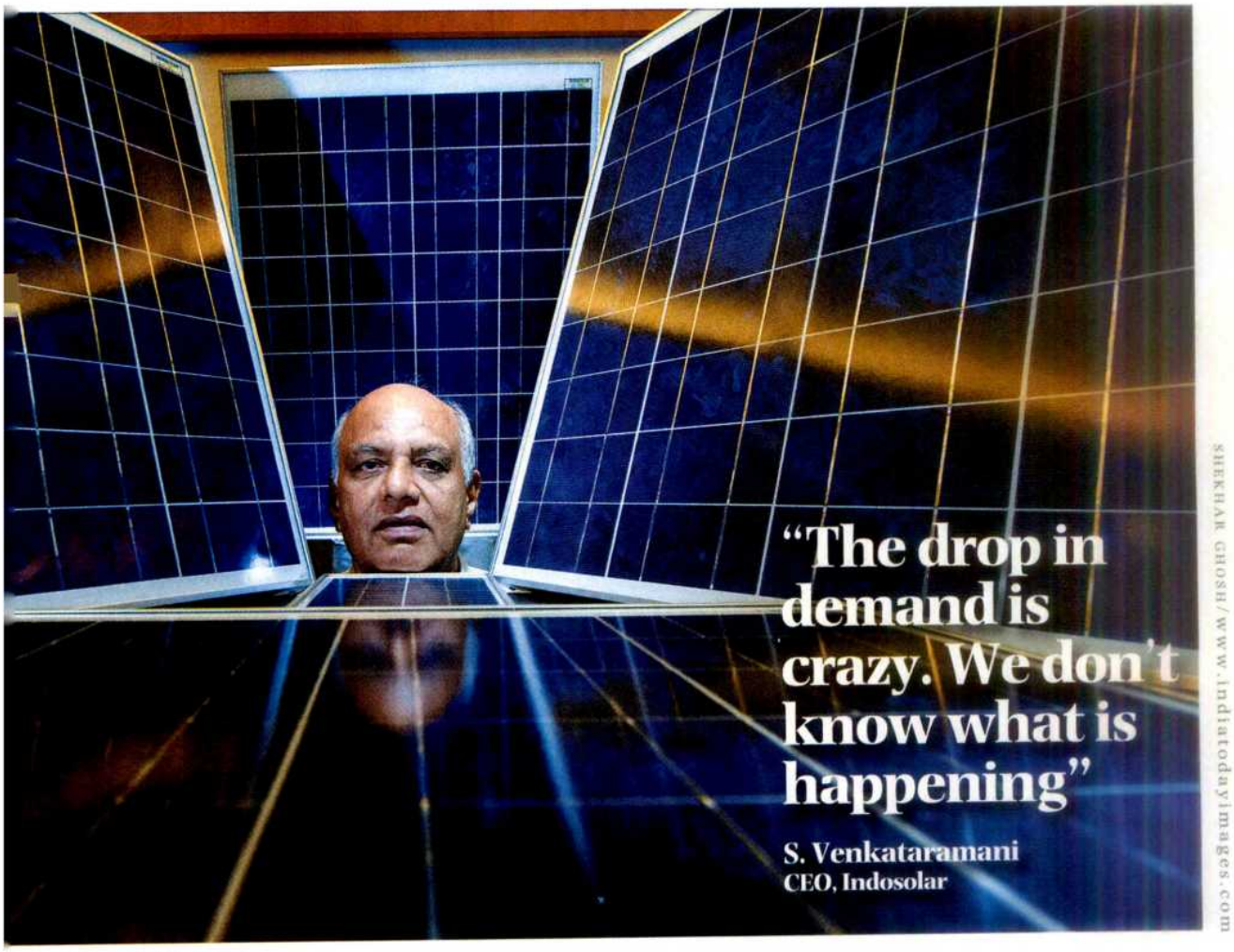
Just a couple of years ago, they were riding high. But now they hardly get any orders. All those setting up solar power plants prefer to buy their equipment overseas, especially from China.

Leading solar power equipment manufacturer Indosolar posted a loss of ₹200 crore in 2011/12, to add to its loss of ₹130 crore the previous financial year. Moser Baer, which moved away from making compact disks into solar cells, seeing it as the next big opportunity, is trying hard to recast a debt of ₹3,800 crore. Tata BP Solar, Lanco Solar, HHV Solar Technologies, Jupiter Solar, WebSol Energy Systems and others are all in the same boat. Most of them have reduced production, utilising only 10 to 25 per cent of their installed capacity. "It is crazy. We don't know what is happening," says S. Venkataramani, CEO, Indosolar.

Solar power producers prefer

COPING WITH EXCESS Solar panel makers are struggling with unsold stocks

Global solar power demand **30,000 MW**



SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

imported equipment to local for a simple reason: most times it is cheaper. In the last few years, growing awareness of global warming sparked off a frenzied hunt for renewable energy sources, with many governments promising handsome subsidies to those who invested in the sector. In India too, the surge in solar energy production is primarily due to the Jawaharlal Nehru National Solar Mission (JNNSM) launched in January 2010, with the ambitious target of achieving 20,000 MW of solar power capacity by 2022.

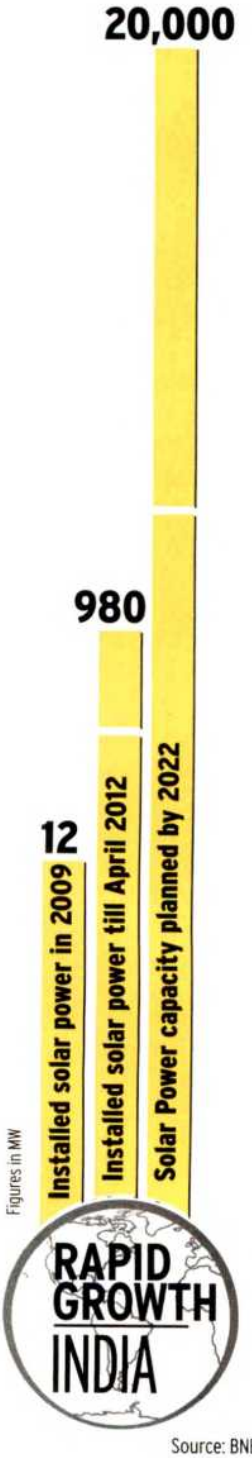
But manufacturers in some European countries appear to have gone overboard, and are thus now saddled with inventories for which there are few takers. A Bloomberg New Energy Finance report estimates that while the current global solar power demand is around 30,000 MW, the peak global solar panel capacity is already 60,000 MW. Given Europe's continuing economic woes, some governments have also reduced or done away with the subsidies they were providing earlier. Manufacturers have been hit so hard that some, such as German thin-film pioneer Odersun or the US-based Solyndra have declared bankruptcy, while others are selling their products dirt cheap, often clearing up large inventories. Indian solar panel makers cannot match their prices.

Chinese manufacturers are not in trouble like those in Europe, thanks to a $40-billion grant from the government. Additionally, the soft loans – at near-zero interest rates – being provided by the Export-Import Bank of China to those buying from the Chinese are making all the difference.

India's solar mission does stipulate some domestic sourcing, but it makes a significant exception. Solar panels are of two kinds: those made of crystalline silicon, and those employing the more contemporary 'thin

Global solar panel making capacity 60,000MW

"The glut is in the lower and middle levels of the market. Not in the high efficiency market, which comprises about 10 to 15 per cent"
Vivek Chaturvedi, Chief Marketing Officer, Moser Baer



film' technology. The latter are not necessarily better – indeed globally, only 10 per cent of installed solar power capacity uses thin film. But the local sourcing restriction does not extend to thin films and almost all Indian solar power producers have plumped for it. "There was only one company in the country making thin film panels," says Tarun Kapoor, joint secretary in the Ministry of New and Renewable Energy, of the decision taken in 2010. "We didn't want to be seen favouring them."

That company was Moser Baer which today has several rivals making thin film panels. They have demanded the local sourcing condition be extended to thin films, with anti-dumping measures taken against their Chinese rivals. They point out that even the United States has moved to protect its domestic industry: on May 17 it slapped tariffs ranging from 31 per cent to 250 per cent on 61 Chinese solar panel makers. But the Indian government is in a dilemma: who to back, solar power producers or solar equipment manufacturers?

"We want India to be a manufacturing hub. We don't want our power producers to import equipment," says Kapoor. "But they may not be able to compete if they are forced to buy only locally." The fall in the prices of solar equipment may have made solar power cheaper than before, but it still costs between eight to nine rupees a unit, while conventional power usually costs four to five rupees a unit depending on region and season. "The price of solar power has to achieve grid parity if the sector is to survive in the long run," says Kapoor. "The answer lies not in preventing imports, but in Indian banks also providing cheap loans like their Chinese counterparts."

Still, desperate situations often spark off ingenious solutions and local solar equipment makers too are fighting back, without waiting for the banks or the government to bail them out. Some are getting into solar power generation themselves – a vertical integration which guarantees that a part of their production always has a market. Moser Baer, for instance, set up two solar power plants last year which source 40 per cent of their panel requirements from Moser Baer's own manufacturing division.

Local manufacturers are also trying to produce better products, investing substantially in research and development. "The glut is in the lower and middle levels of the market," says Vivek Chaturvedi, Chief Marketing Officer, Moser Baer. "Not in the high efficiency market which comprises about 10 to 15 per cent of the total." While most solar panels have an efficiency of no more than 13 to 14 per cent, Moser Baer uses a new technology which takes its products' efficiency to 21 per cent. Prasanth Sakhamuri, Chairman, HHV Solar Technologies, agrees. "Niche products will help us survive," he says. Manufacturers are hunting for new markets as well, especially in off-grid, rural electrification projects.

They are also optimistic that global prices will not fall any further, taking succour from a June report by rating agency CRISIL which said that the fall in solar panel prices will slow down in the course of the current financial year. "With the exit of many non-viable manufacturers and corrections in capacity, the correction in price is also happening," says Rahul Prithiani, Director, Industry Research at CRISIL.

Indeed, so confident are some companies such as Indosolar and Lanco Solar that they are actually expanding capacity at their plants, even though they currently use only a fraction of the existing capacity. "Our problems are a temporary phenomenon. The demand-supply mismatch will reduce," says V. Saibaba, CEO, Lanco Solar. ◆

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Business travel has seen a surge in recent times and some of the greatest names in luxury have stepped in to the market to cater to the needs of business travelers. A luxurious ambience, spa, lounge and good hospitality is a great way to reward those that take their business seriously.

Select Hotels is a Niche Brand positioned in the well saturated Indian hotel industry which operates and runs the Heritage Village Resort & Spa Manesar. Heritage Village Resort & Spa is a unique urban boutique resort that offers a wholesome rejuvenating experience. It is very conveniently located in Manesar, Gurgaon - a short drive from New Delhi on the Delhi-Jaipur Expressway and just 45 minutes from the International Airport. Surrounded by 12 acres of Lush greenery, the 154-room and suite resort & spa is perfect for short and long holidays, as well as for meetings, workshops, conferences and weddings. The resort boasts of one of the largest conference centers of Delhi NCR, with over five floors of meeting rooms and over 34000 square feet of outdoor spaces. It is place of culinary landmarks, where discerning travelers are charmed by the warm hospitality, impressive architecture and exceptional service. Sample the sumptuous Buffets and a la care dishes at Jharokha, their International multi cuisine restaurant or you can simply go rustic at Barahandi, an ethnic, village-style outdoor winter eatery.

In addition to a relaxing holiday experience, it also offers contemporary rejuvenating spa treatments of different kinds at Spa Aruna where the spa experience is synonymous with not just indulgence and pamper; it boasts to realign you to a healthier being. It is the only resort in the city to introduce the 'all inclusive Spa Indulgence' concept with the finest treatments and signature services. Two times winner of the prestigious National Tourism Award, The resort combines an air of old world charm with state-of the-art amenities to make the guests experience a memorable one

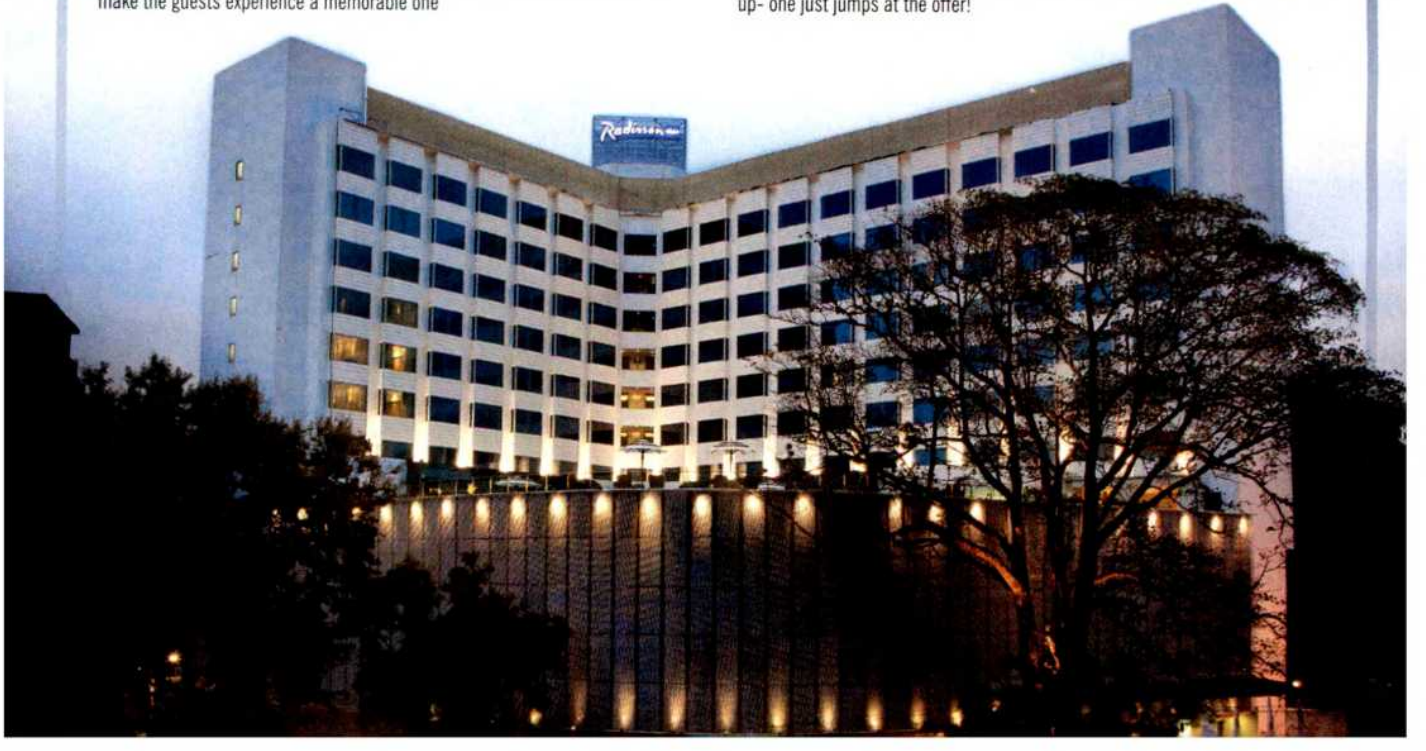
THE RADISSON BLU Hotel is an imposing landmark at the centre of the commercial hub of Ranchi. This world-class destination offers what the business traveler with class would want -a sleek lobby, well-stocked bar, a chic tea lounge, a pastry shop and an authentic multi cuisine restaurant, internationally famous – The Great Kabab Factory. In addition to 98 spacious room and suites, guests enjoy a well-equipped gym, a relaxing spa, elegant meeting spaces and a lavish outdoor swimming pool.

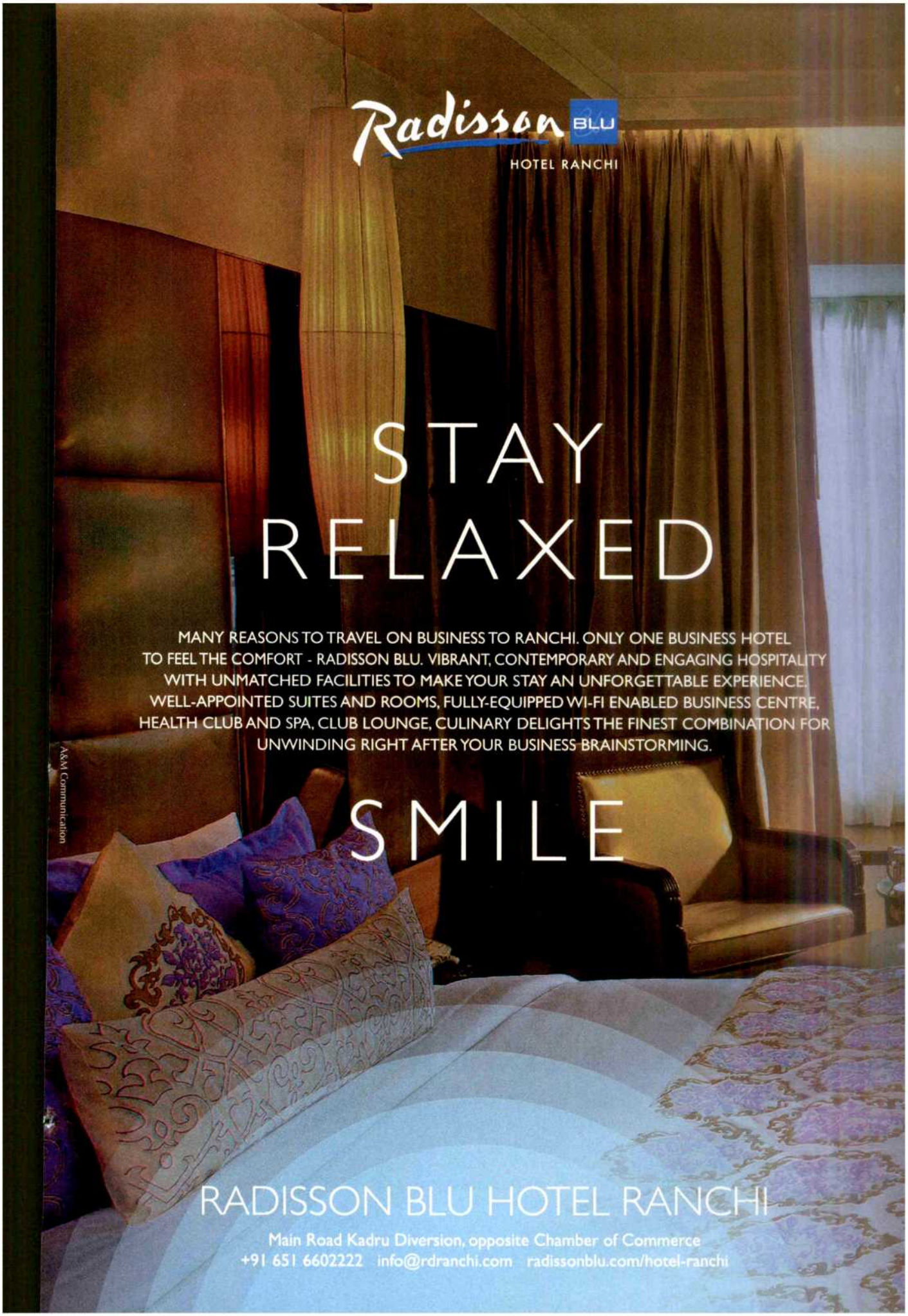
Radisson Blu Hotel ,Ranchi, offers well-appointed rooms and suites, ranging from the basic Superior Room to the more elegant Deluxe Suite that include specialized amenities and services to inspire those who prefer to tour in style. In addition to views of the sparkling pool and lush courtyard, every accommodation includes a LCD television with satellite channels, complimentary Super Breakfast Buffet and complimentary broadband Internet access. The hotel also offers interconnecting and smoking rooms.

The hotel features 10,000 square feet of event space, ranging from intimate board rooms to the expansive Grand Ballroom. Spanning an impressive 6,000 square feet, the hotel's Grand Ballroom proves ideal for training programs, seminars, lectures and workshops, exhibitions and even weddings.

The 02 Salon and Spa celebrates Nature. With a chic décor & luxurious treatments, the spa offers an ambience that immediately refreshes body, mind and soul in a way only water can. You can relax in total luxury and be pampered with a variety of body massages, scrubs, wraps and facials, all with the gentle rejuvenating touch of nature.

These innovative ways to pamper the business traveler is perfect for those workaholics and hard workers who need to be rewarded for their tenacious contributions to their work place. These luxurious hotels have some of the greatest facilities to offer so that the next time traveling on business is brought up- one just jumps at the offer!




Radisson BLU
HOTEL RANCHI
STAY
RELAXED
MANY REASONS TO TRAVEL ON BUSINESS TO RANCHI. ONLY ONE BUSINESS HOTEL
TO FEEL THE COMFORT - RADISSON BLU. VIBRANT, CONTEMPORARY AND ENGAGING HOSPITALITY
WITH UNMATCHED FACILITIES TO MAKE YOUR STAY AN UNFORGETTABLE EXPERIENCE.
WELL-APPOINTED SUITES AND ROOMS, FULLY-EQUIPPED WI-FI ENABLED BUSINESS CENTRE,
HEALTH CLUB AND SPA, CLUB LOUNGE, CULINARY DELIGHTS THE FINEST COMBINATION FOR
UNWINDING RIGHT AFTER YOUR BUSINESS BRAINSTORMING.
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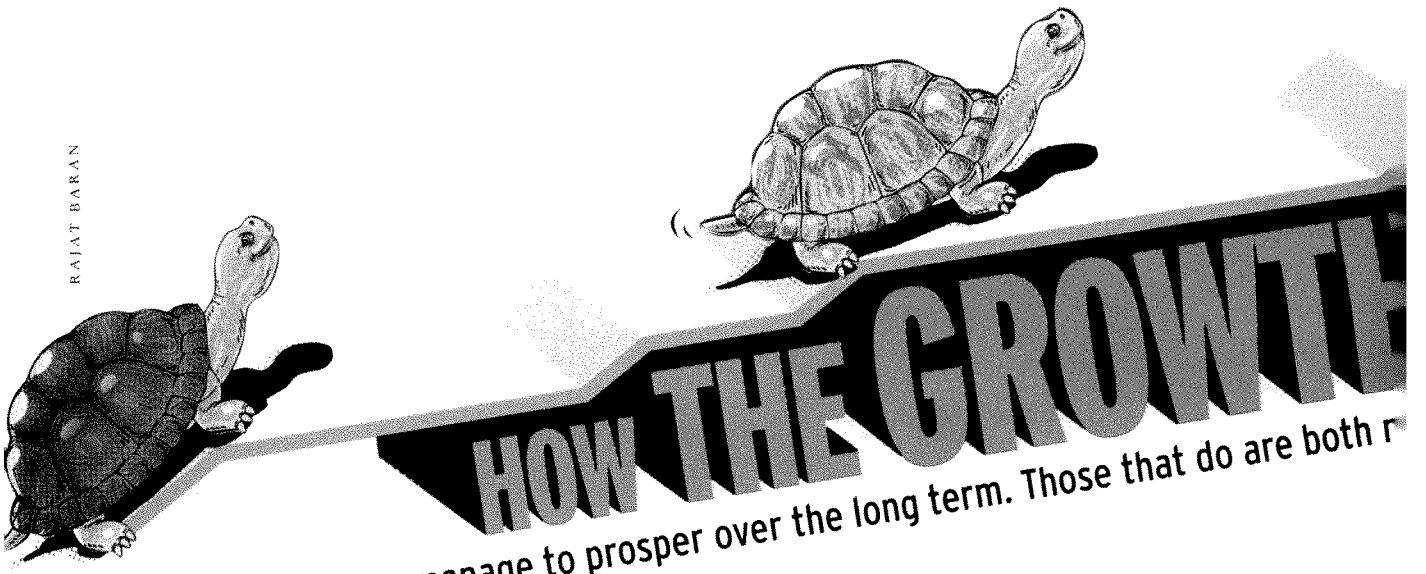


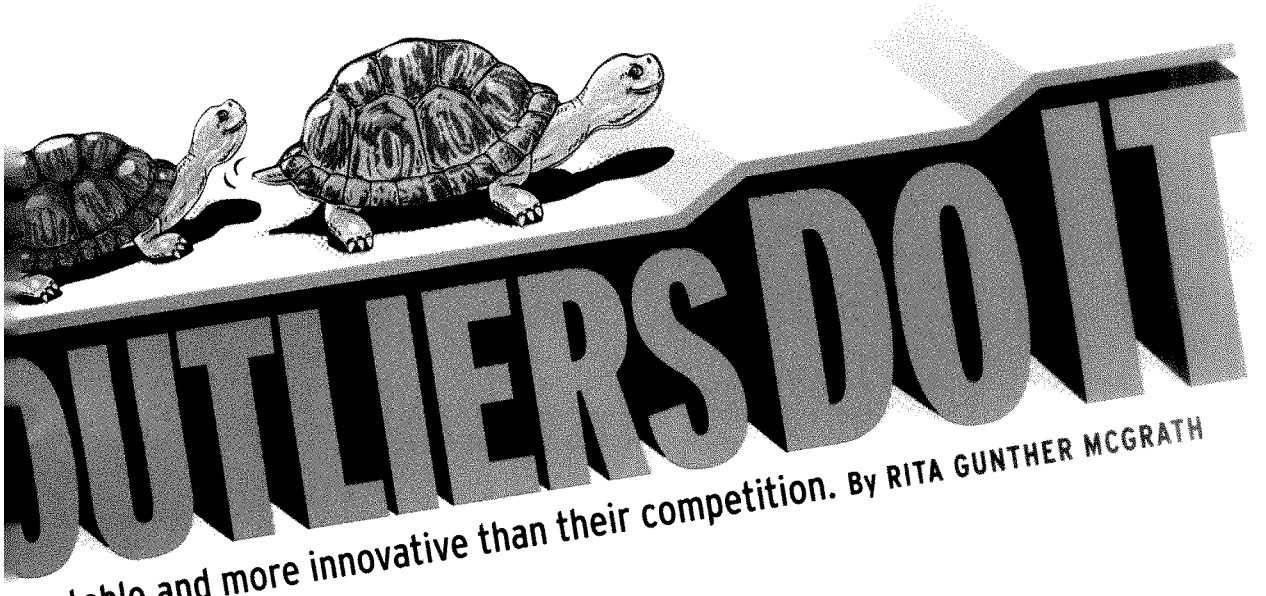
Few companies manage to prosper over the long term. Those that do are both r

Steady, predictable growth is what every big company strives for and what investors prize above all else. Recently some colleagues and I conducted research to find out just how difficult it is to achieve. To start, we asked a simple question: How many publicly traded companies with a market capitalisation of at least US $1 billion grew by five per cent each year for five years ending with 2009? We combed the enormous database of Capital IQ. (We selected the five per cent threshold because global annual GDP growth averaged about six per cent during that period. And note that we were looking for steady performance, not compound annual growth.) The answer surprised us: Only eight per cent of the 4,793 companies in our sample grew their revenues by at least five per cent year after year, and only four per cent achieved a net income growth of at least five per cent in each of the five years.

Thinking that perhaps we'd chosen an unfair period, given that the Great Recession started in 2008, we repeated the study for the previous five years. The numbers were higher – 15 per cent and seven per cent, respectively – but the odds still seemed to be stacked against steady growth.

We then wondered what the results would look like if we did a 10-year scan. The answer: Only 10 of the 2,347 companies that qualified across that entire period grew their net income by five per cent in all 10 years, and only five grew both revenues and net income every year.

The contrast between what investors and observers expect and what the vast majority of companies deliver struck us as important. The data suggest a need to rethink our assumptions about corporate performance. Steady, consistent growth is difficult to achieve even at modest rates, never mind by the double digits that corporate leaders are fond of promising. (And no "normal" period in which to assess company performance seems to exist: Any five-year period we could have chosen included unexpected events in the economy and the environment that would have caused some among our sample to drop out.) We recognise, of course, that luck plays a part in strategic success and



stable and more innovative than their competition. By RITA GUNTHER MCGRATH

– as some advertisements caution in disclaimers – that past success does not predict future performance. However, the outliers we found – those that defied the odds by achieving steady growth for 10 years running – turned out to have interesting traits in common, some predictable and some surprising.

What the Outliers Are Not

The companies revealed by our study (see *The Growth Outliers*, page 98) don't match up well with some conventional ideas about growth. One school of thought in strategy says that a company's growth rate will be determined largely by the industry it's in. This didn't seem to hold. Our outliers are in wildly different industries, including pharmaceuticals, beer, construction, and banking. All outperformed their industry. Moreover, most of them are in very competitive industries, without the protections that patents or trade secrets provide.

Similarly, we tend to assume that the larger a company gets, the harder it is to sustain growth. That didn't hold, either: The outliers were not small relative to the full pool of companies we analysed. By number of employees, the largest is Actividades de Construcción y Servicios (ACS), a Spanish construction company, with nearly 140,000 people. The smallest, FactSet Research Systems, a US-based financial research company, employs more than 4,000. Market cap also varied widely above our $1 billion threshold.

We might have expected to find consistently higher growth rates in fast-growing markets, but that wasn't true, either. No single geographic region dominates the outlier group, which represents both high-growth emerging economies and mature economies. Nor did the degree to which the companies had globalised seem to be a factor. Although Infosys and ACS both planned from the beginning to focus on overseas opportunities, Yahoo Japan conducts business almost entirely in Japan, HDFC Bank operates only in India, and Atmos Energy focuses on the US market. Tsingtao Brewery earns 50 per cent of its revenue from exports, but it didn't venture outside China to manufacture until 2007. Krka Group is mainly a regional player, manufacturing generic pharmaceuticals throughout Eastern Europe.

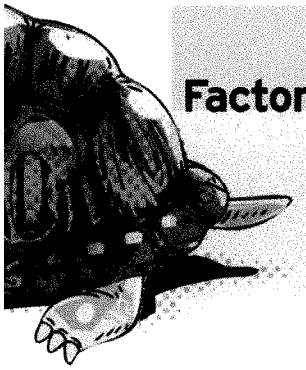
Conventional wisdom also suggests that growth slows as companies age. But we saw no such effect in this group. More than half the outliers were established in their current form after 1980, but the two oldest date from 1903 and 1906. All the companies have performed well throughout major shifts in globalisation, underlying technology, and business practices.

One might think that companies started by entrepreneurs would have an edge, but that

Steady, consistent growth is difficult to achieve even at modest rates, never mind by the double digits that corporate leaders are fond of promising.

seems untrue as well. Although two of our outliers (Infosys and FactSet) were indeed start-ups, with founders who maintained a strong presence throughout our study period, others (Indra Sistemas, ACS, Atmos, Krka) were the product of mergers and consolidations, and still others (Cognizant, HDFC, Yahoo Japan) were spun out of or funded by existing organisations.

Once we'd established that exogenous factors such as industry, geographical position, and age didn't explain the outliers' growth rates, we turned to the next, more qualitative phase of our project. We attempted to learn what these companies did have in common, using archival research and interviews. In addition, we compared each one with its top three competitors – according to Hoover's, to avoid selection bias – to determine whether differences in competitive behavior might offer some explanations. The outliers turned out to share a lot of practices that, although unsurprising in themselves, add up to an intriguing, counter-intuitive profile: Although these companies are nimble and adaptive, their leadership, strategy, and values are very stable.



Factors That Did Not Explain Steady Growth

- Industry position
- Age of firm
- Geography
- Emerging vs developed economy
- Ownership structure
- Global footprint

Rapid Adapters

The growth outliers do a tremendous amount of experimentation and innovation. They develop and deploy new technologies, move into new markets, explore new business models, and even open up new industries. They take on acquisitions and aggressively seek input from people and organisations quite unlike their own. They rapidly adjust and readjust resources and are comfortable moving executives and other employees from one role to another.

They make small bets early and diversify their portfolios. These companies take what we call an options-oriented approach to new markets. They tend to move earlier than competitors into spaces that appear attractive, making small initial investments and following up with more-substantial ones—or getting out—as the opportunity warrants. They are likely to pursue a constant stream of relatively small initiatives.

HDFC's history of entering new growth markets is illustrative. In 1998 HDFC joined the Cirrus interbank network so that Mastercard holders worldwide could use its ATMs. In 2001 it became the first bank in India to launch an international debit card, in association with Visa. It introduced various credit card innovations, including a card specifically for farmers, and then reached an agreement with Tata Pipes to offer the farmers credit. In contrast, ICICI Bank, a key competitor, didn't even begin to explore regular debit cards until 2000. HDFC moved early and built from initial success in other new markets as well, including telebanking, mobile banking, and foreign exchange services. Indeed, the only market in which a competitor seems to have beaten it is rural India, where the State Bank of India was well established.

Unlike their competitors, outliers appear to make fewer big, high-risk bets – which is also consistent with an options orientation. When we compared Indra with its rival BAE, for instance, we found that both had made acquisitions and divestitures during the study period, but most of Indra's acquisitions were under $100 million, whereas most of BAE's were much higher, including its $4.5 billion acquisition of Armor Holdings, in 2007.

Finally, the outliers had diverse but related portfolios, with enough variety to enable investment in their core businesses even as they explored new alternatives. When one segment went into decline, another could be leveraged. Indra, for example, used acquisitions to move from the defense industry into computer systems

design and financial software solutions. Through subsequent acquisitions it built and maintained a formidable solutions portfolio that didn't depend on one business model or end market. Even the single-product outliers, Tsingtao Brewery and Yahoo Japan, honored this principle: Tsingtao diversified geographically, and Yahoo Japan diversified by selling into new segments and offering new services.

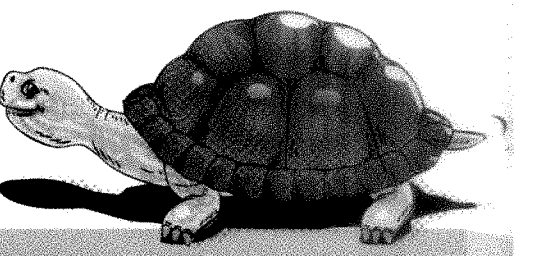
They're active acquirers. The outlier companies appreciate the value of acquisitions for building new capabilities and getting into new markets quickly. And they have a better-than-average record of making those acquisitions work. For example, Indra expanded its capabilities and accessed new geographies by acquiring a strategic consultancy, Europraxis, in 2001; a Portuguese IT company, CPC-IS, in 2002; and an Australian IT company, Interscan, in 2007. Tsingtao has been heavily involved in domestic and foreign M&A deals since its privatisation in the early 1990s, which is credited with helping it to somewhat consolidate the highly fragmented Chinese beer market. ACS used several major acquisitions in 2002, 2005, and 2007 to consolidate its position and gain access to new markets.

FactSet was actually criticised for some of its activity: It spent $92 million on acquisitions in 2005, when the company's net income was only $72 million. Nonetheless, it continues to acquire companies to broaden the offerings it can provide to its customers.

They manage major resource allocations centrally. At many companies, resources are held hostage at the divisional or business-unit level. When one division is under threat, or an opportunity falls between units, the company can't respond effectively because incumbent executives resist. But at outliers, decision making with respect to major strategic challenges appears to be centrally coordinated.

They have processes that support speed and flexibility. Outliers favour adaptability over pure efficiency, even though it occasionally leads to less-than-perfect outcomes. Their strategy adjustments and resource allocation shifts are more likely to occur quarterly than annually, as are their promotions and personnel evaluations. This allows them to be more responsive to changes in the environment than companies with rigid annual processes.

They build innovation into everyday operations. At many traditional companies, the most powerful people run the large, well-established lines of business, and growth-oriented innovation is managed by a separate, less powerful group. Innovation at the outliers tends to be better integrated. It's mentioned prominently in recruitment materials, marketing messages, and employee communications. It's also built into the company's resource allocation and promotion processes. Every year at Infosys, for example, the senior executive team asks each unit to name two big things it is going to do that will dramatically move the business forward in real time—and to go public with those intentions. Yahoo Japan has identified four major growth strategies; its managers are regularly asked to identify the next set of promising opportunities in those areas, and resources are liberally allocated to the best ideas that emerge from their discussions.



The growth outliers rapidly adjust and readjust resources and are comfortable moving executives and other employees from one role to another.

Champions of Stability

As noted, the outliers are unusually stable as well as highly flexible. Their changes are evolutionary, and their adaptations are rapid. We saw little evidence among them of the kinds of wrenching change that many companies experience.

They focus management attention on culture and shared values. We found (as have others who study high-performing organisations) that the outliers on our list pay close attention to values, culture, and alignment. What does that mean in practice? We saw significant investments in creating an appropriate corporate culture, in employee training, and in executive development among these companies. Infosys, for example, is famous for its Global Education Center, the largest dedicated corporate-education facility in the world, with the capacity to

The Growth Outliers

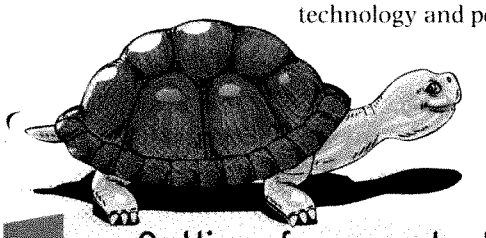
Infosys	Yahoo	HDFC Bank	ACS	Cognizant
Information technology	Japan Internet search and navigation	Banks and credit unions	Commercial and heavy construction	Information technology
HEADQUARTERS India	HEADQUARTERS Japan	HEADQUARTERS India	HEADQUARTERS Spain	HEADQUARTERS U.S.
FOUNDED 1981	FOUNDED 1996	FOUNDED 1994	FOUNDED 1983	FOUNDED 1994
MARKET CAP $31.9B	MARKET CAP $20.3B	MARKET CAP $16.5B	MARKET CAP $15.5B	MARKET CAP $13.3B

Market cap figures: Capital IQ as of January 22, 2010

train 14,000 students at any one time. A recent MBA thesis examining the culture of HDFC Bank found that in employee surveys the bank scored high on organisational effectiveness, employee engagement, and a supportive environment.

They avoid dramatic divestitures. Our graduate-school researchers looked hard for instances in which growth outliers exited segments or cancelled major projects. Nevertheless, they uncovered almost no instances of sudden, disruptive exits – a finding that surprised us. These companies tend to reallocate resources gradually rather than to dramatically divest or restructure. They use industry evolution as an opportunity to leave old businesses and enter new, higher-growth segments.

Cognizant, for instance, made nine strategic acquisitions but no divestitures during the period of our study. The company, a 1994 spin-off of Dun & Bradstreet, began by offering straightforward technology services. Over the years, it moved into professional consulting services and differentiated itself with a strong industry focus and colocation of its teams with clients. It shifted technology and people from low-growth businesses such as plain-vanilla business process outsourcing to people-intensive, high-touch businesses such as complete, complex software solutions. This shift occurred without the wholesale downsizing that Satyam Computer Services and other competitors experienced.



Outliers favour adaptability over pure efficiency, even though it occasionally leads to less-than-perfect outcomes.

They hold on to their talent. One of the implications of executing transformations without wrenching change is that talented employees are less likely to have their careers cut short unnecessarily. Like Cognizant, the other outliers are slow to downsize, and their habit of gradually moving resources into new businesses means that emerging leaders have new places to go. The head of strategy for Infosys, describing an evolutionary path similar to Cognizant's, makes this point: "When we decide to get out of something, we slow down on allocating resources to it. It finds its way to insignificance in a period of time. You don't need to chop it off – you need to let it live its life. Since we are in a talent business, it's easy for us to repurpose the leadership and the talent." The recognition that talent needs a place to go is complemented by a commitment to employee training. The combination probably explains why senior managers nearly always come from inside the company.

They don't change high-level strategies quickly. Our study period was a tumultuous time: It included the burst of the dot-com bubble, the tragedy of 9/11, the global housing and credit bubbles, the introduction of the euro, wars in Iraq and Afghanistan, the explosion of the Internet as a vehicle for commerce, and the Great Recession of 2008. Even so, the outliers' strategies remained remarkably stable. Our interviews with their leaders are peppered with references to a few clear and simple strategic priorities, to the

Tsingtao Brewery
Beer
HEADQUARTERS
China
FOUNDED
1903
MARKET CAP
$7.2B

Indra Sistemas
Information technology
HEADQUARTERS
Spain
FOUNDED
1993
MARKET CAP
$3.7B

Krka Group
Pharmaceuticals
HEADQUARTERS
Slovenia
FOUNDED
1954
MARKET CAP
$3.2B

FactSet Research Systems
Information collection and delivery
HEADQUARTERS
U.S.
FOUNDED
1978
MARKET CAP
$3.0B

Atmos Energy
Natural gas distribution and marketing
HEADQUARTERS
U.S.
FOUNDED
1906
MARKET CAP
$2.6B

importance of building culture and developing talent, and to leveraging core capabilities.

At Tsingtao Brewery, after the sudden death of its hard-driving president Peng Zuoyi in 2001, subsequent leaders committed to following through on his international expansion strategy. When ACS was founded, in 1983, its CEO expressed his commitment to making it Spain's most profitable public construction company; that strategy is still in place. Atmos Energy is now executing the strategy crafted in 1997 by a former CEO, leveraging efficiency in its regulated business and driving growth in its unregulated businesses. FactSet's strategy statement has not changed at all since the company's founding in 1978, despite radical shifts in underlying technologies and an explosion of information relevant to key clients.

They have a reliable customer base. Outliers' relationships with their clients are remarkably stable as well—probably because their gradual strategic shifts allow them to change as their customers change. FactSet's client retention rate reached 92 per cent in 2011. Analysts have observed that both Infosys and Cognizant have strong client retention. Cognizant reported a 90 per cent client satisfaction rate in a recent survey, and Infosys reported a 95 per cent retention rate in a recent interview with us. To some extent this stability also characterises outliers' relationships with suppliers – though our findings here were less consistent.

They keep their senior leadership stable. At all 10 companies on our list, the top executive had been promoted internally; there were no white knights or outside-the-industry saviors. Interestingly – and consistent with the findings of other researchers over the years – these chief executives generally kept a low profile.

They were respected, known to have made major contributions, and somewhat visible in the press, but not charismatic (or narcissistic). The five leaders we had the pleasure of meeting in person were all low-key, courteous, and attentive.

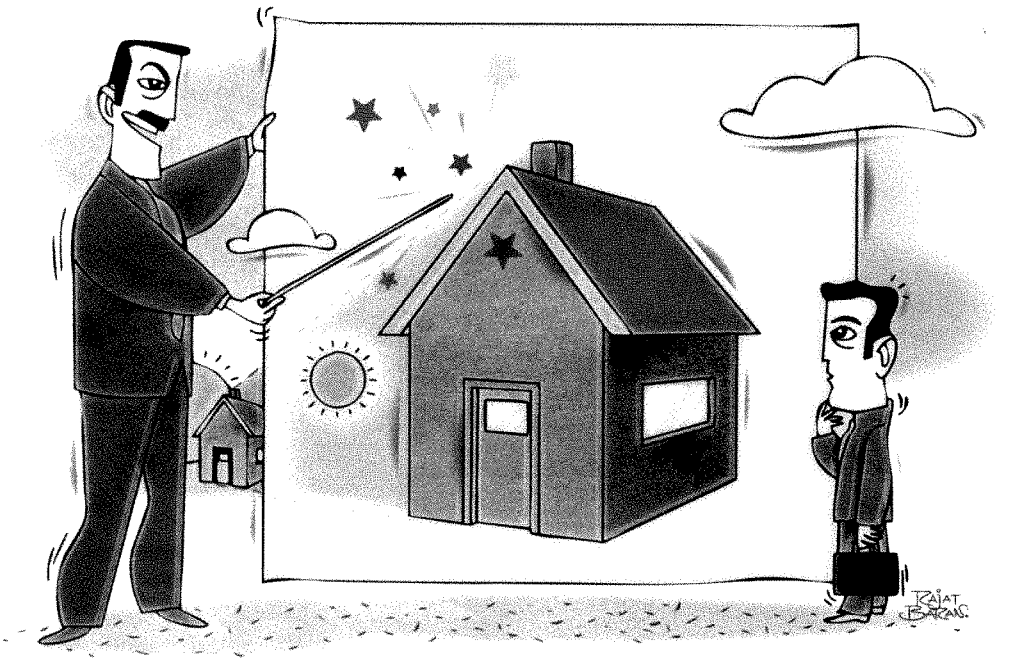
Through our research we learned that the values, cultural norms, strategies, capabilities, customer relationships, and leadership of the growth outliers remain consistent over time. These organisations invest seriously in corporate values, which their leaders back up through meaningful symbolic actions. Within this stable context, however, a tremendous amount of experimentation and innovation occurs.

Our conclusion is that this seeming paradox is a feature, not a bug: Stability is what enables these companies to innovate and to maintain steady growth. Coupled with transparent values, it allows employees to feel confident about taking the risks that experimentation requires. Strong values help maintain ethical standards. Continual small changes keep an organisation from becoming stale. Management continuity permits the building of informal internal networks, which are known to be a factor in successful innovation. The result is a high-performing organisation that delivers consistent results over a reasonably long period in the face of environmental volatility. ▼

Rita Gunther McGrath is a professor at Columbia Business School. Her research focuses on strategy and innovation in volatile environments. *This article was published in HBR, January-February 2012.* *Copyright © 2011 Harvard Business School Publishing Corporation. All rights reserved.*

MONEY

BE CAREFUL
THERE ARE AROUND ONE MILLION BROKERS IN THE COUNTRY, SAY ESTIMATES, NONE OF WHOM ARE REGISTERED OR REGULATED



Sizing Up Your Broker

You cannot do without a real estate agent while searching for a home, but take care not to be misled by unscrupulous ones. By **PRITAM P. HANS**

"Home is where one starts from."
– T.S. Eliot, American poet

You need to plan carefully and save for years to buy a home. While doing so, however, it is also vital to choose a good real estate agent, who will make the actual buying process smooth. "Consumers tend to take the advice of brokers at face value and later realise they have been misinformed," says Sachin Sandhir, Managing Director, Royal Institute of Chartered Surveyors, (RICS) South Asia, a self-regulatory body of real estate professionals. "Consumers' choices relating to service and price options are restricted by the informal anti-competitive practices that brokers indulge in."

How can you be sure that your broker is taking care of your interests and not playing tricks with you to benefit only himself? Here are a few tips:

Persuasive pitch: Brokers rely a lot on their persuasive skills to sell houses. A common strategy is to claim that property prices in the locality where you are considering a few options are rising fast, citing a few inflated examples, in a bid to hurry you into taking a decision. Though it is difficult to find out prices accurately, you can get a rough estimate from property portals and newspaper ads. Another option is to contact several brokers. You could

also approach a person who has recently bought a property in the same locality for advice. But do not depend on a single broker. "A broker may drop names of upcoming projects in the vicinity which may be pure speculation," says Ganesh Vasudevan, Vice President and Business Head of property portal Indiaproperty.com

Quality Control: Brokers often try to hide a great deal about the quality of construction of a particular house or apartment, especially if it is shoddy. Two similar-looking properties in an area may be priced the same, but one may be far better constructed or have more amenities.

Distance sale: When a buyer wants to make a long distance purchase, or the buyer and the seller are at different locations, the former's dependence on his broker is much higher. And so is the risk of his being misled. "The parties concerned often don't meet face-to-face. Often deals are rushed into at the broker's insistence," says Sandhir. Always insist on meeting the seller to finalise the deal. If the broker wants to close the deal without the buyer and the seller meeting, something may be amiss.

Transparent fees: Brokers get a commission from sellers for each sale they make, which is usually a percentage of the deal value. You should inquire how much the broker is getting from the other party. If you do not get a clear answer, take it as a warning. "It is imperative that the broker state his commission and give evidence that the property has a clear title," says Sandhir.

Online ads: Real estate websites are full of misleading listings by brokers. And free listings are more likely than paid ones to make false claims. Do not put much faith in them. "Agents often use misleading photos and cite false specifications or quote unrealistically low prices to draw home buyers' attention. But when people contact the agent, they are told that the listed property is not available, but there are others they can choose from," says Vasudevan of Indiaproperty.com.

There are around a million brokers in the country, according to estimates, none of whom are registered or regulated. "Many are unqualified and inexperienced," says Sandhir. Big brokerages have a reputation to keep up and are usually more professional. They are expected to make full disclosures to their clients, quote the best prices and ensure there are no nasty last minute surprises.

"If an individual broker has the requisite experience and integrity, he may go the extra mile to service your requirements. There are, however, some distinct advantages such as depth of knowledge and lower risk with large brokerages," says Aditya Verma, Executive Vice President and Chief Operating Officer, Makaan.com, a property portal. "Before finalising a broker, ask him for names and phone numbers of five or six people who have dealt with him in the recent past and check back with them."

More often than not, agents tend to drive their own agendas to earn higher commissions. "A broker is just an intermediary. He is not answerable in case of overpricing or any other issue. If you have been overcharged, nothing much can be done," says Indiaproperty.com's Vasudevan. Lack of adequate regulations and certifying bodies for real estate agents is one reason for the lack of professionalism in the sector. "Ideally, the agent should be a fair and honest mediator and ensure property transactions are transparent and swift," says Sandhir. Brokers are indispensable to the real estate sector. But till they are brought under a regulatory body, stay on your guard. ◆

Courtesy: *Money Today*

Showing the Way

RICS, a self-regulatory body, has prepared a code of conduct for real estate brokers, which has been supported by several leading brokerages. Some of the directives:

- **Conduct business** in an honest, fair, transparent and professional manner
- **Ensure clients** are provided terms of engagement and incorporate details of complaint-handling procedures
- **Avoid conflict of interest** and, where they do arise, deal with them openly, fairly and promptly.
- **All communication with clients** should be fair, timely and transparent
- **Advertisements should be honest** and decent
- **Brokers should have professional** indemnity/ error or omission insurance to ensure customers do not suffer losses as a result of negligence on their part
- **Give a realistic assessment** of the likely selling, buying or rental price or associated cost of occupancy to the client based on market evidence and using best professional judgment

LAST BUT NOT LEAST

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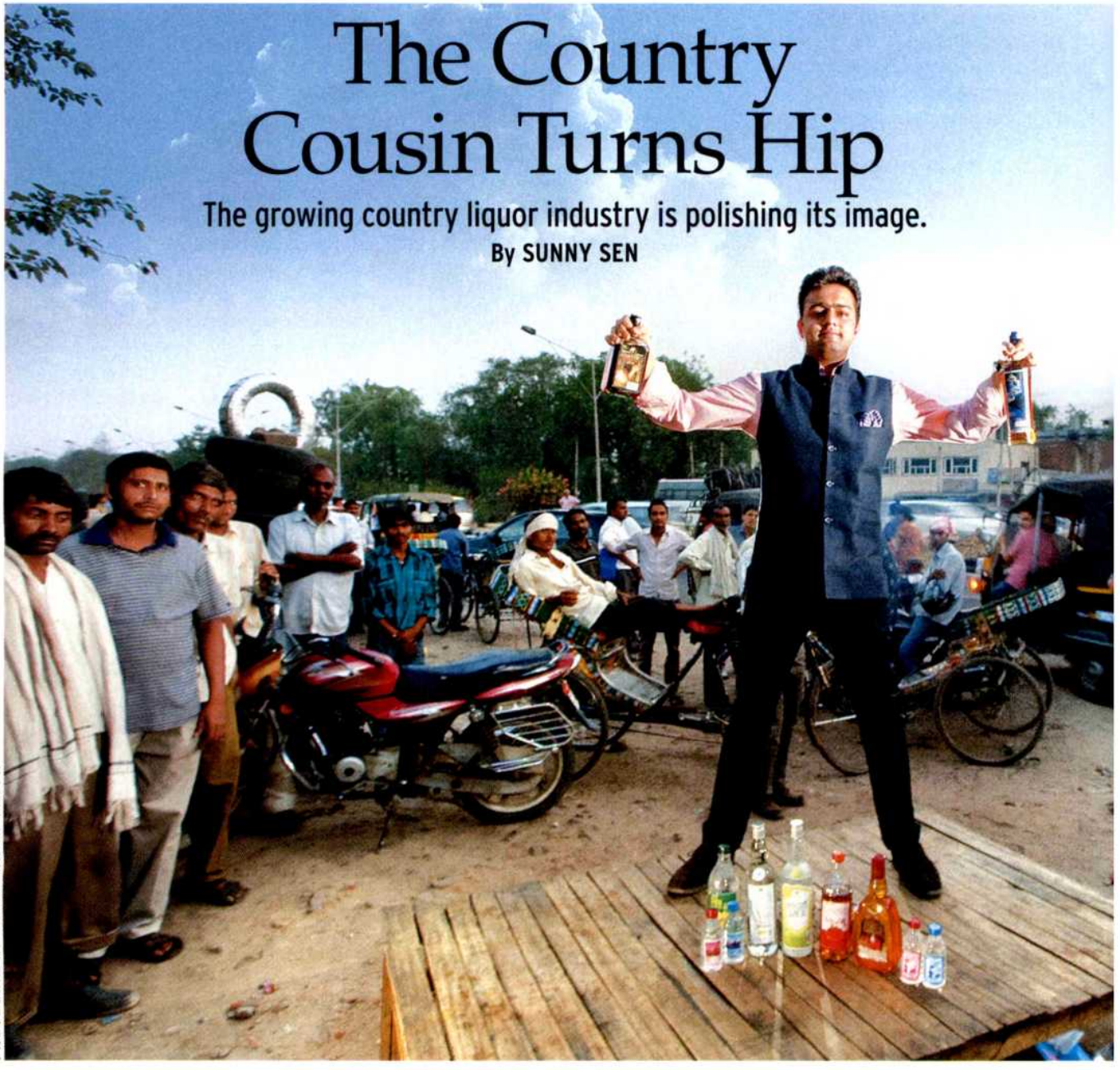
The Country Cousin Turns Hip

The growing country liquor industry is polishing its image.

By SUNNY SEN



PHOTOGRAPHS BY SHEKHAR GHOSH

Hooch has long been a recurring motif in Bollywood films such as *Tezaab*, which starred Anil Kapoor, and Amitabh Bachchan starrer *Amar Akbar Anthony*. The association of liquor with the bad guys is so powerful that some three decades ago, a liquor trader in Jamshedpur, formerly in Bihar, could not convince his grandmother that he was in a legitimate business. Explaining that he had a government licence had no effect on the elderly lady's conviction that her grandson's enterprise resembled the mafia operations in the movies.

The grandmother may have a point – tax raids on Uttar Pradesh liquor baron Gurdeep Singh 'Ponty' Chadha made headlines recently – but Indian-Made Indian Liquor (IMIL, also known as 'country liquor') is a legitimate industry that is impossible to ignore. Revenues were ₹24,000 crore in 2011/12. IMIL accounts for some 42 per cent of an estimated 450 million cases sold in 2011/12, which does not include beer and wines. A case usually contains 12 to 42 bottles, depending on size.

As IMIL drinkers, like customers of other consumer products across India, get more prosperous, makers of 'country liquor', such as Globus Spirits, Radico Khaitan, Chandigarh Distilleries and GM Breweries, are slowly moving up the ladder, upgrading their technology even though a bottle typically sells for under ₹200.

"The IMIL business, unlike any other fast-moving consumer goods business, is state-centric," says Shekhar Swarup, Executive Director of Globus Spirits. "You need to have a brewery in the state where you want to sell, unlike foreign liquor." Swarup, 26, joined Globus – the family business – just three years ago, after getting his MBA from the University of Bradford in the UK. But he knows the

"We looked at Pepsi and Coke, and took packaging cues"

Shekhar Swarup, Executive Director, Globus Spirits

business like the back of his hand. His company has IMIL businesses in Haryana, Rajasthan and Delhi.

Indian-Made Foreign Liquor (IMFL) – whisky, vodka and other spirits that do not have Indian heritage – account for another 35 per cent of liquor consumption. The remaining 30 per cent is beer and wine. An alcoholic beverage that does not qualify as IMFL is 'country liquor'. Today most IMFL is made from grain, but earlier, it was processed from molasses, a by-product of sugar. Country liquor is still made from molasses.

In 1993, Swarup's father started his IMIL business with a distillery in Panipat which can now process 45,000 litres of molasses a day. The company's Nimboo brand, launched more than a year ago, is today the market leader in Haryana.

Swarup took the FMCG approach. Rather than giving retailers discounts on bottles, he spent on brand-building and visibility campaigns. "We looked at Pepsi and Coke, and took packaging cues," says Swarup, who uses high-grade PET bottles instead of glass. Globus Spirits expects to make ₹260 crore this year from IMIL.

Radico Khaitan, which sells some three million cases in UP alone, makes its own PET bottles. "We use virgin quality resin," says K.P. Singh, Director - Operations. "The perception of country liquor should change." A Radico Khaitan executive points out that country liquor accounts for only around five per cent of his company's business.

While packaging can help alter perceptions of

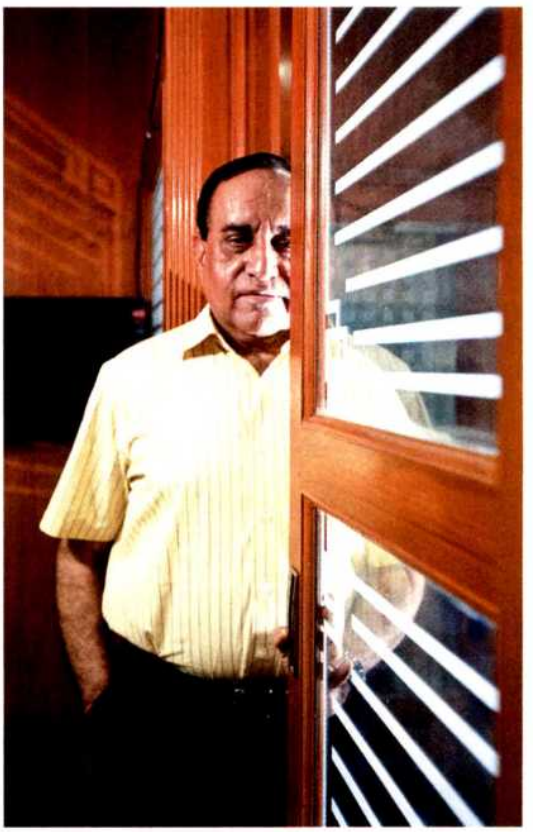
country liquor, processes are also being altered to make it safer. Instead of traditional rectified spirit, larger distilleries now use extra neutral alcohol, or ENA, which goes through a superior level of distillation and is purer.

Even so, there is a cloud on the horizon. While country liquor sales are growing at an average of eight per cent a year, IMFL is growing twice as fast. Many country liquor manufacturers are switching to cheap IMFL. Simbhaoli Distillery has shut down its country liquor business and moved to cheap IMFL.

"Country liquor in UP is as good as cheap IMFL," says R.K. Singh, Chief General Manager at Simbhaoli Distillery. "There is an income group bifurcation, and people are not taking much country liquor."

States such as Andhra Pradesh, Karnataka, Kerala and Tamil Nadu have banned IMIL. "This has reduced the illicit trade," says V.N. Raina, Director General of the All India Distillers' Association. In the last three to four years, the illicit liquor trade has declined by about 30 percentage points, he says. Industry experts say that in states with up to 25 IMIL distillers, the industry may consolidate down to three or four big players.

It is likely that companies such as Globus and Radico Khaitan will keep growing. The Jamshedpur trader's grandmother is no longer alive, but at the bar that he has run for more than two decades, sales are growing steadily. ◆



"In the last four years, the illicit liquor trade has fallen by 30 percentage points"

V.N. Raina, Director General, All-India Distillers' Association

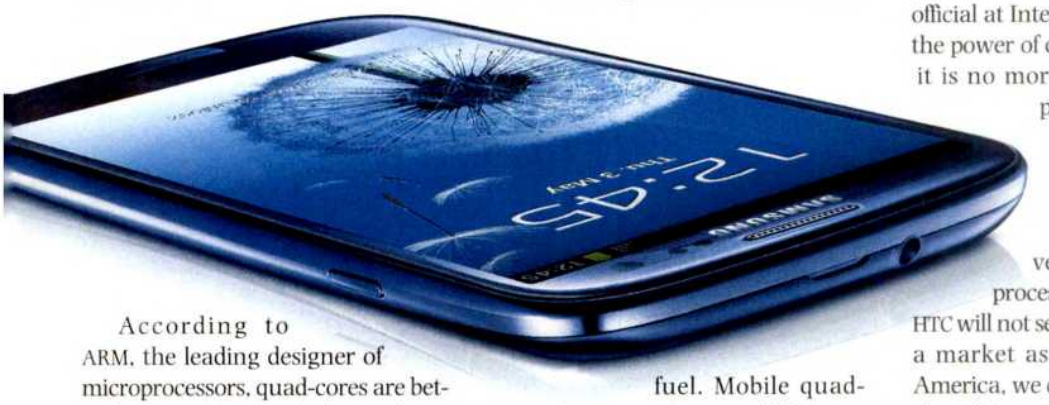
Send your comments to
editor.bt@intoday.com

The Core Truth

Using a quad-core processor is like driving a Ferrari on Bangalore's roads

The Apple iPhone 4S is widely considered the world's best smartphone. It is also the most popular. But HTC and Samsung beg to differ. To establish their HTC One X and Samsung Galaxy SIII respectively as better, they have been flaunting the quad-core muscles of these two products. The iPhone so far has had a dual-core processor.

So, what exactly is a quad-core processor? Simply put, instead of getting the tasks a smartphone performs done by one (single-core) or two (dual-core) processors, a quad-core processor delegates them to four different cores.



According to ARM, the leading designer of microprocessors, quad-cores are better because they "scale the performance (of a device) to your actual compute needs... So rather than having a big core doing a small task, you have right size computing". It was, in fact, ARM which created the quad-core 1.4 GHz Cortex-A9 chip used in the Samsung Galaxy SIII.

Quad-core phones are 1.6 times quicker, or about 160 per cent faster than their dual-core counterparts, claims ARM. Others, however, are sceptical, given that only the number of chips in the quad-core double, not the battery's power or the system memory. Qualcomm, which also makes such processors, has been quoted as saying that the speed jump when a device moves from dual to quad-core is merely around 25 per cent. This might not mean much if you are making a call or surfing, but for gaming and features such as HD video playback and recording, this added power is significant.

Phone makers claim quad-core increases battery life as, with the work distributed, none of the cores has to do anything heavy. But others say just the opposite, that multiple cores drain the battery faster, drawing on the analogy of a multiple-cylinder car engine which burns more fuel. Mobile quad-core pioneer NVIDIA uses a fifth 'companion' core to perform most of the simpler tasks and powers up the other engines only if something more demanding comes along.

There is no doubt that quad-core is, indeed, the future of mobile phones. As we entrust more demanding tasks to our phones, we will need a processor that can carry out multiple tasks. But the question is whether the quad-core processor is really worth the extra money.

Also, the biggest problem with the current technology is that there is no software that can fully utilise this powerful hardware. Quad-cores are primarily being used on Android phones. But neither the Android operating system (OS) nor the apps that run on it have been optimised to exploit the best of quad-core processors. In other word, they have not been written to 'multi-thread', or assign different tasks to different cores. And since writing this code is no easy task, we still do not have apps that can use the full power of the processor.

"It is a bit like trying to drive a Ferrari in peak-hour Bangalore traffic. The car can touch speeds of 200 kmph, but there is just no road where you can hit that speed," says a senior official at Intel. He does not discredit the power of quad-core, but believes it is no more than a gimmick at present, especially since "software is lagging far behind hardware".

Interestingly, in the US, the HTC One X version has a dual-core processor. If we concede that HTC will not sell an inferior product in a market as important as North America, we come to the conclusion that this particular phone is good even with a dual-core chip inside. That is something to think about.

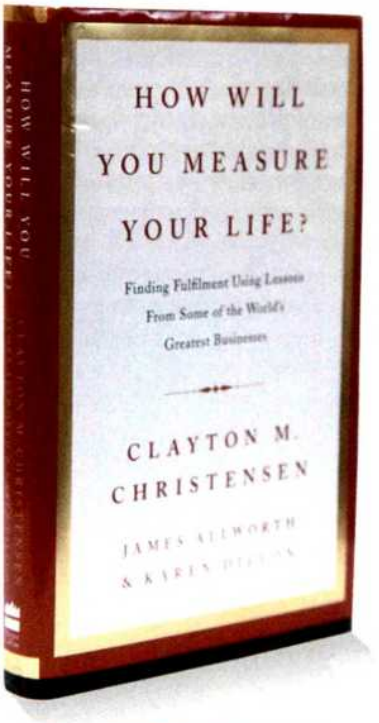
The new Windows phones run on single-core processors while the iPhone 4S is dual-core. Both seem to be doing pretty well. Yes, it is a bit early to label the single and dual-core phones as inferior devices. At least, not when quad-core does not yet have an arena to prove its might. So, if you have not yet bought that dream quad-core phone, maybe you should wait. Just like the Ferrari should wait for the expressways to be built before hitting Indian roads. ◆

The Business of Life

The book looks at real-life business cases and provides key insights into living

Harvard Business School is perhaps the world's most powerful and intellectually stimulating playground for the mind. Almost every professor who taught me there was a true guru in his discipline. What sets Clayton M. Christensen apart even among these gurus is not just that he is in the 0.0001 per cent – that is, one in a million – of the finest minds of the world, but more importantly he would rank in the top 0.0001 per cent of any collection of individuals, anywhere in the world. A devout Mormon, a Rhodes scholar, with the finest values that God could have invested in any of his creations, he has a fine mind, which has produced a seminal, path-breaking book.

What sets apart and makes *How Will You Measure Your Life?* deeply engrossing is that it juxtaposes the business, academic and personal experiences of the author in a seamless tapestry to produce rich and practical insights for the reader, across both life and the art of living.



How Will You Measure Your Life?
Clayton M. Christensen
HarperCollins
Pages: 221; Price: ₹399

In other words, the book looks at real-life business cases and provides key insights into living. For example, Clay contrasts the strategies of Blockbuster and Netflix to explain what he calls the difference between "marginal thinking" and "full thinking". He calls Blockbuster's approach to evaluating alternative investments 'the trap of marginal thinking' – Blockbuster ignored its sunk and fixed costs and looked only at marginal costs. This mindset biases companies to leverage what they have put in place to succeed in the past, instead of guiding them to create the capabilities they need in the future. Since the future is unlikely to be just the same as the past, this simply will not work. Likewise in life, the past can at best be a rough indicator but never an exact roadmap for the unknown future where everything – including the variables and the factors that affect the variables – changes, often at different dynamics and speeds.

Clay, whose *The Innovator's Dilemma* can be counted among the best management tomes of the last two decades, uses frameworks he has formulated using his research over the years – research which has been powering organisations such as Intel, the US Defense Department and TCS over the years. He sets forth arguments that will be of immense help to both individuals and companies. He explores the fundamental questions of human integrity, happiness, success and failure, family and relationships and teaches how to think through tough problems of life.

In a superb chapter titled *The Balance of Calculation and Serendipity*, he explains how Honda, once a nonentity in the motorbikes sector, emerged from the shadows to conquer the American market, even besting market leader Harley-Davidson. He argues that in life too, many a time, it is often emergent strategy, and not deliberate strategy, that leads people to fulfilment and meaning. He gives examples from his own life, of how he wanted to become the editor of *The Wall Street Journal* but never got there – though today he is one of the newspaper's most valued contributors – then went on to do a start-up that did not take off quite as planned, after which he landed up in academia to become one the of the superstar professors ever. Clay has also fought a rare form of cancer and a stroke with fortitude and determination. ◆

SRIVATSA KRISHNA
(The reviewer is an IAS officer. Views are personal)

What sets this book apart is that it juxtaposes business, academic and personal experiences of the author to produce rich and practical insights for the reader

There Goes This Year's Bonus

The slowdown may also hit increments and the variable part of salaries, says Shamni Pande

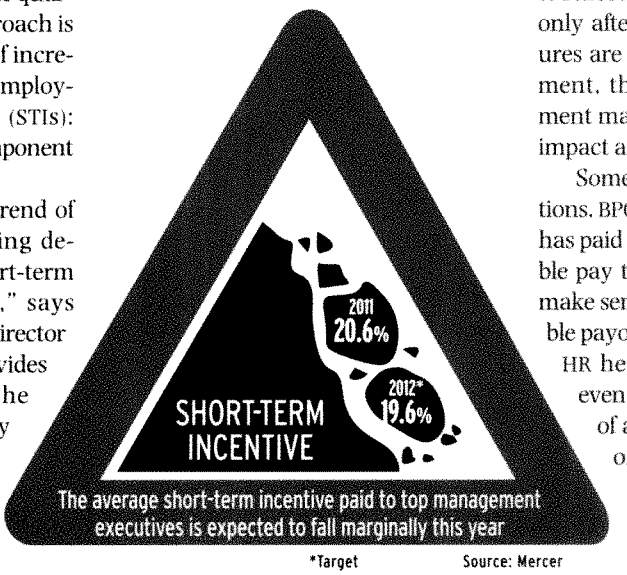
Having dealt with a downturn only three years ago and also noted the impact of the ongoing slowdown on developed economies, Indian corporate houses seem to be reasonably prepared for the fallout of this year's slowdown. Many had, in fact, begun tightening their belts, even before the announcement that gross domestic product (GDP) growth fell to a nine-year low of 5.3 per cent for the quarter ending March. Their approach is reflected in the postponing of increments and the slashing of employees' short-term incentives (STIs): bonuses and the variable component of salaries.

"We definitely notice a trend of both salary increments being deferred and bonuses and short-term incentives being withheld," says Kamal Karanth, Managing Director of Kelly Services, which provides workforce solutions. But he adds: "We do not see any panic in the market. People seem prepared to weather the storm."

IT giant Infosys, for instance, has already decided to defer salary hikes this year. And variable payouts, which depend on three factors – the organisation's performance, the individual's performance and the business environment – have been affected in a number of companies.

Data released by leading HR consulting firm Mercer on the payment of STIs – drawn from 21,000 companies in 62 countries – shows signs of nascent business confidence in Western and Eastern Europe, Australia, New Zealand and West Asia. These are regions which were badly hit earlier. The data, however, also indicates a weakening in confidence for companies in the Asia Pacific region (including India), Latin America and North America.

A key criterion for handing out bonuses is successful company performance. "If a company is predicting that it will pay out less this year – as our data shows for certain regions – it indicates that it expects its financial performance to be worse in 2012 than in 2011," says Hans Kothuis, Mercer's Asia Pacific Rewards Leader.



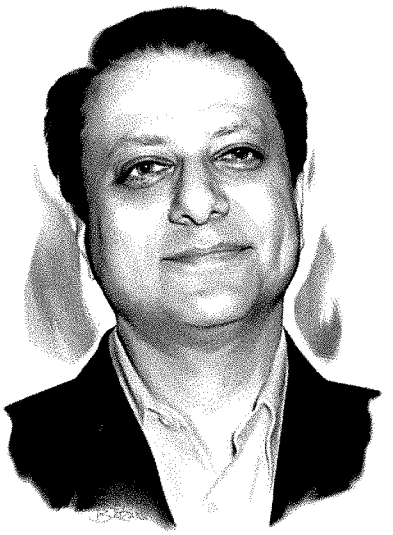
Arvind Agrawal, President, Corporate Development and Group HR for RPG Enterprises, agrees. "We want to pay fully, but if the business does not grow there might be an impact on the variable pay," he says. Many companies structure STIs in such a way that senior executives have greater exposure to the company's performance: the variable component of their salaries is much higher than that of others. "In our case the variable payout for junior employees is only 20 per cent, while for the senior ones it is up to 70 per cent," adds Agrawal.

Yet employment is still growing. A recent monthly employment index prepared by online job portal Monster shows a three per cent year-on-year increase for May. But the overall sentiment is anything but upbeat. "There is a sense of moderation in the online job market," says Sanjay Modi, Managing Director, Monster.com. "But businesses tend to reflect the economic environment only after a lag. If no speedy measures are announced by the government, the chances of the employment market reflecting the negative impact are very high."

Some companies remain exceptions. BPO firm Genpact, for instance, has paid out the full portion of variable pay to its employees. "It did not make sense to cut back on the variable payouts," says Piyush Mehta, its HR head. IT firm Cognizant has even announced salary increases of around eight per cent for its offshore associates, but excluding promotions. Notably, the company's revenues grew by one-third last year and expects them to rise by at least 20 per cent this year. Still, in comparison, increments were 12 and 14 per cent last year, and this included promotions.

Some companies are bucking the trend altogether. "Our sales staff has a robust sales incentive programme in place which is slightly higher than last year's," says Sanjay Bali, Vice President, Corporate HR, Samsung India. Average salary increments at Samsung were 19 per cent. Similarly, employees at the Aricent Group have reason to smile. "We paid out more than 100 per cent for individual performance," says Amitabh Hajela, Global HR Head. ◆

Wall Street's Desi Scourge



ADITYA KAPOOR/www.indiatodayimages.com

Preet Bharara
Attorney, Southern District, NY

He has appeared on the cover of *Time*, which called him one of the world's 100 most influential people. Others have dubbed him a modern-day Eliot Ness, the American law enforcement official whose crusade against organised crime in Chicago during the Prohibition era was immortalised in the film, *The Untouchables*. And all that was before **PREET BHARARA** won his most high-profile case.

When a jury in Manhattan found former McKinsey chief and Goldman Sachs board member Rajat Gupta guilty on four out of six counts of securities fraud and conspiracy earlier this month, it was the biggest scalp to date for the 43-year-old Attorney for the Southern District of New York. It was a case that riveted the attention of both India and the US, pitting two successful Indian Americans against each other. After Gupta was declared guilty, Bharara vowed to "continue to pursue those who violate the securities laws, regardless of (their) status, wealth or influence".

Bharara's jurisdiction includes New York City, which makes him one of the most visible and influential federal prosecutors in the US. The position is considered a stepping stone for higher political office. One of Bharara's predecessors is Rudy Giuliani, who later became New York Mayor and also mounted a short-lived run for the American presidency in 2008.

Ever since he was handpicked for the post by President Barack Obama in May 2009, Bharara has won 60 convictions in insider trading cases. He has also created two new units – the Complex Frauds Unit and the Civil Frauds Unit – to go after sophisticated financial crimes. Says James Rosener, a New York-based partner in corporate law firm Pepper Hamilton: "He clearly views white collar crime in the securities industry an important thing to root out, and that if you're the US attorney for New York it's an area you ought to make sure is held to task."

The conviction on all 14 counts last year of Raj Rajaratnam, the billionaire founder of the Galleon Group hedge fund, was a huge victory for Bharara. It was the first time an insider trading case had been successfully prosecuted using wiretap evidence, a tool that had formerly been used mostly against mafias and organised crime in the US. The case against Rajat Gupta was an offshoot of the Rajaratnam investigation.

Bharara was born in Punjab's Firozpur district in 1968. A naturalised US citizen, he went to high school in New Jersey and later to Harvard and Columbia universities. He has often pointed to his mixed family roots – his father is Sikh and mother Hindu, while his wife's father is Muslim and mother Jewish – making his a quintessential American success story. And it is a story that is shaping to be a page-turner for years to come.

INDIRA KANNAN

(From L) **Sanjeev Sharma, Parikshit Bhasin, Lloyd Mathias**
Co-founders,
GreenBean Ventures Pvt Ltd

Bean Me Up

Early this year, three erstwhile telecom industry stalwarts – **SANJEEV SHARMA, PARIKSHIT BHASIN** and **LLYOD MATHIAS** announced the launch of their start-up accelerator-cum-consultancy, GreenBean Ventures Pvt Ltd. Bhasin and Sharma helped Nokia with its initial push into India in the mid-1990s – Bhasin as Managing Director and Sharma as head of marketing – Mathias used to be with Pepsi, Motorola and Tata Teleservices. They now want to guide both start-ups and established firms in the mobile devices sector. "We are looking at companies with mass market products," says Sharma. Bhasin expects GreenBean to capitalise on each of their skillsets gained running large companies. The trio wants to be much more than armchair advisers. "We won't be trapped or perceived as consultants. Our core proposition is to accelerate growth," says Mathias.

SUNNY SEN

Thirsting for Success

When **MUHTAR KENT**, Chairman and CEO of the Coca-Cola Company, visited India recently, he made two important stopovers. First, he visited the Taj Mahal in Agra, the town which marked the re-entry of Coke in India nearly two decades ago. Next he met Preeti Gupta, a vendor whose shop uses solar powered coolers for the beverages – an initiative led by the company. Coca-Cola has enjoyed nearly 23 quarters of uninterrupted growth in India. Says Kent, 60, who went to New Delhi's American Embassy School for two years: "We think this market will be among our top five growth geographies in the next decade. It has already moved up to the seventh spot."

SHAMNI PANDE

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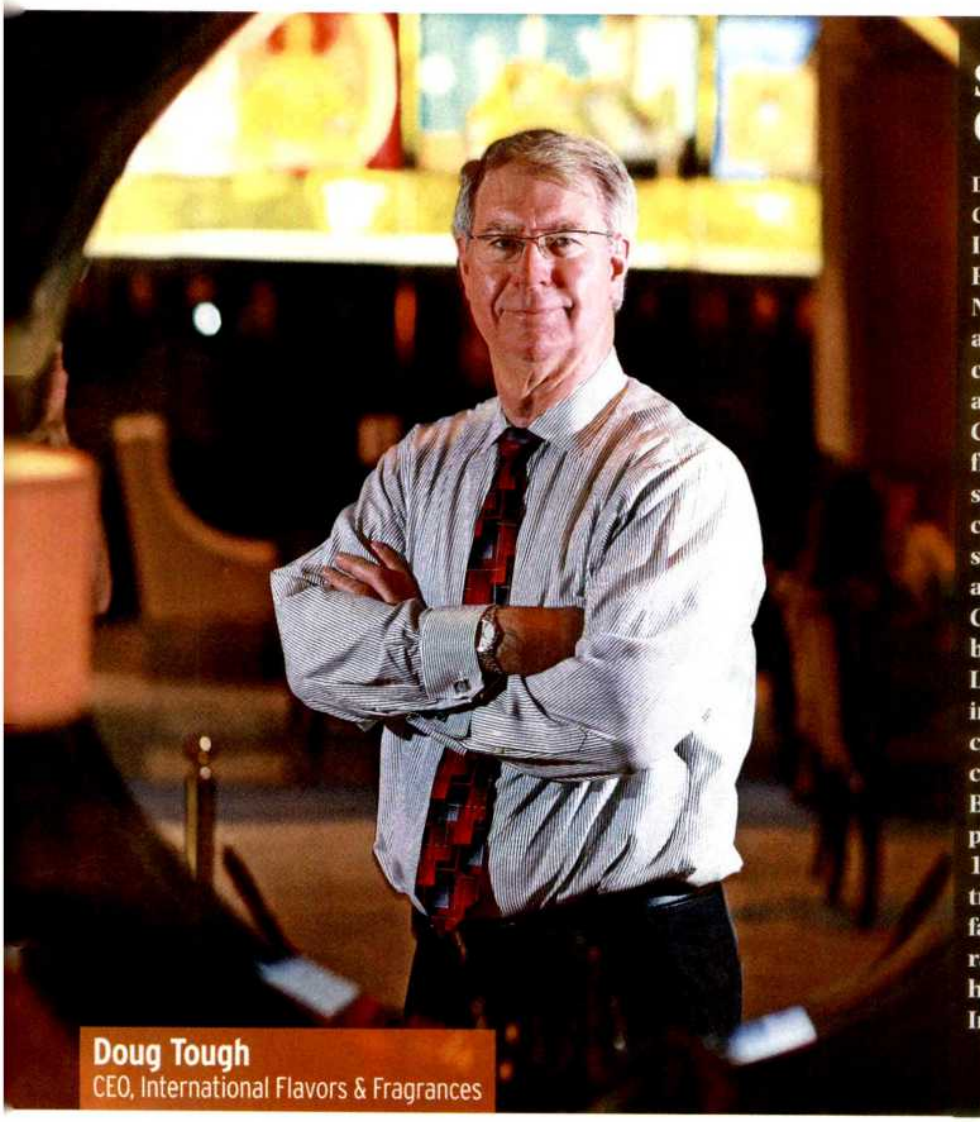

Doug Tough
CEO, International Flavors & Fragrances

Sniffing Opportunity

DOUG TOUGH, Chairman and CEO of the $3 billion International Flavors and Fragrances Inc. (IFF), was in New Delhi recently to announce the relocation of the company's creative and application centres from Chennai to Delhi. IFF makes flavours and fragrances for soaps, shampoos, detergents, confectionery, ice-creams and so forth sold by companies such as Unilever, Nestle, PepsiCo and Coca-Cola. "The flavours' business is a very localised one. Local adaptation is very important" says Tough. India contributes three to four per cent of IFF's global revenues. Born in Canada, Tough was a professional tennis player from 1968 to 1974. He loves travelling, with Sydney his favourite destination, but India rates highly too. "Changes in health and nutrition levels in India are astonishing," he says.

DEARTON THOMAS HECTOR

V. Vijay Babu
CEO, Vortex Engineering

In the Vortex of Action

In 2008, serial investor Ray Stata was looking for someone to give a much-needed impetus to Vortex Engineering, a rural ATM manufacturing start-up in which he had invested. He spotted **VIJAY BABU** who had successfully started, scaled up and eventually sold off two IT companies. Stata, also co-founder and Chairman of chipmaker Analog Devices, hoped Babu's expertise would get Vortex off the ground, and how right he was. The company has since been selected as one of 'the 10 start-ups that will change your life' by *Time* magazine and as 'Technology Pioneer' by World Economic Forum in 2011. Says Babu: "You need to be capable of diving deep to fix issues, while at the same time going 10,000 feet to talk to investors on the big picture, all in an hour's time..." ◆

N. MADHAVAN

HIROSHI TAKASHINA

Managing Director, Nikon India

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Tokugawa Ieyasu, the founder of Tokugawa Shogunate of Japan

The business leader I admire the most
Jack Welch

The leadership lesson I remember the most
My complete business life is a good lesson for me

A book I would recommend on leadership
***Steve Jobs* by Walter Isaacson**

The difference between a manager and a leader
A leader must challenge

As told to Vivan Mehra

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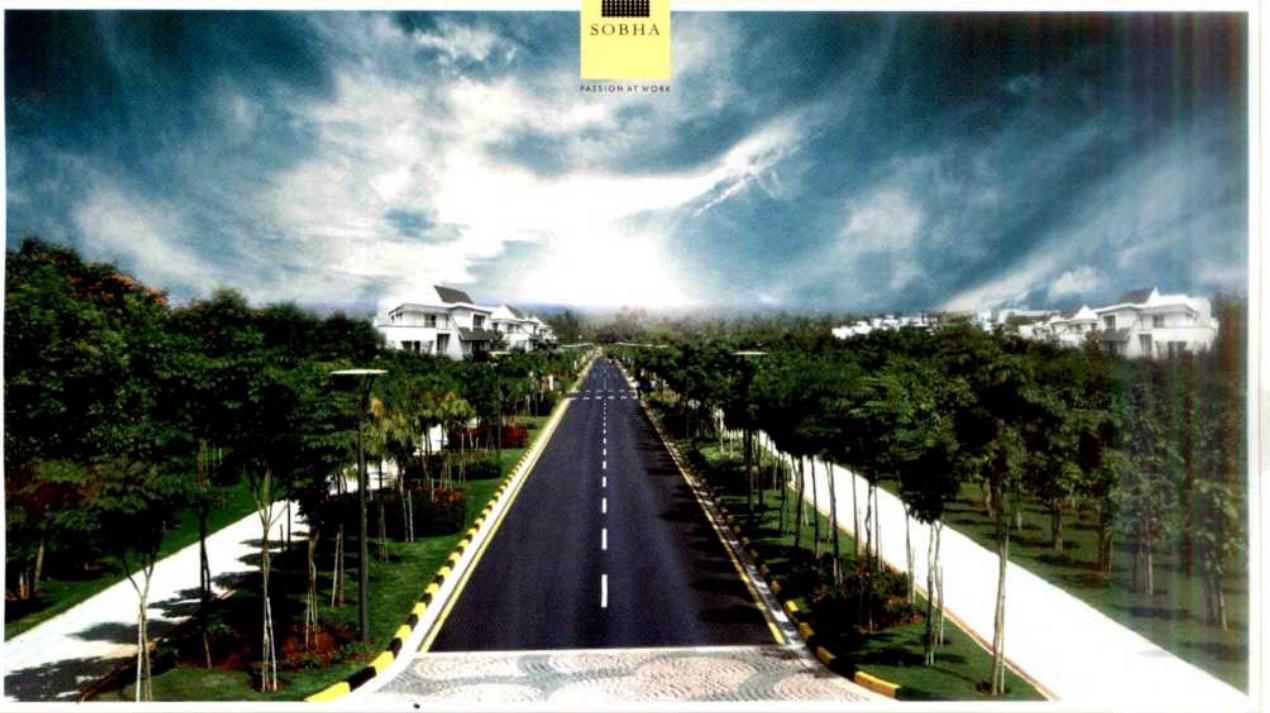

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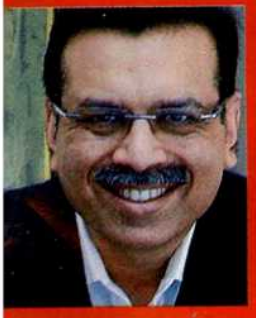
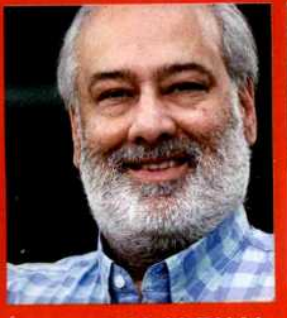
HOW I DID IT

TALES OF COMPANIES THAT CAME BACK FROM THE BRINK



SANJIV GOENKA
CESC



SANJAY LALBHAI
ARVIND MILLS

ANU AGA
THERMAX INDIA

N. SRINIVASAN
INDIA CEMENTS

NITIN PARANJPE
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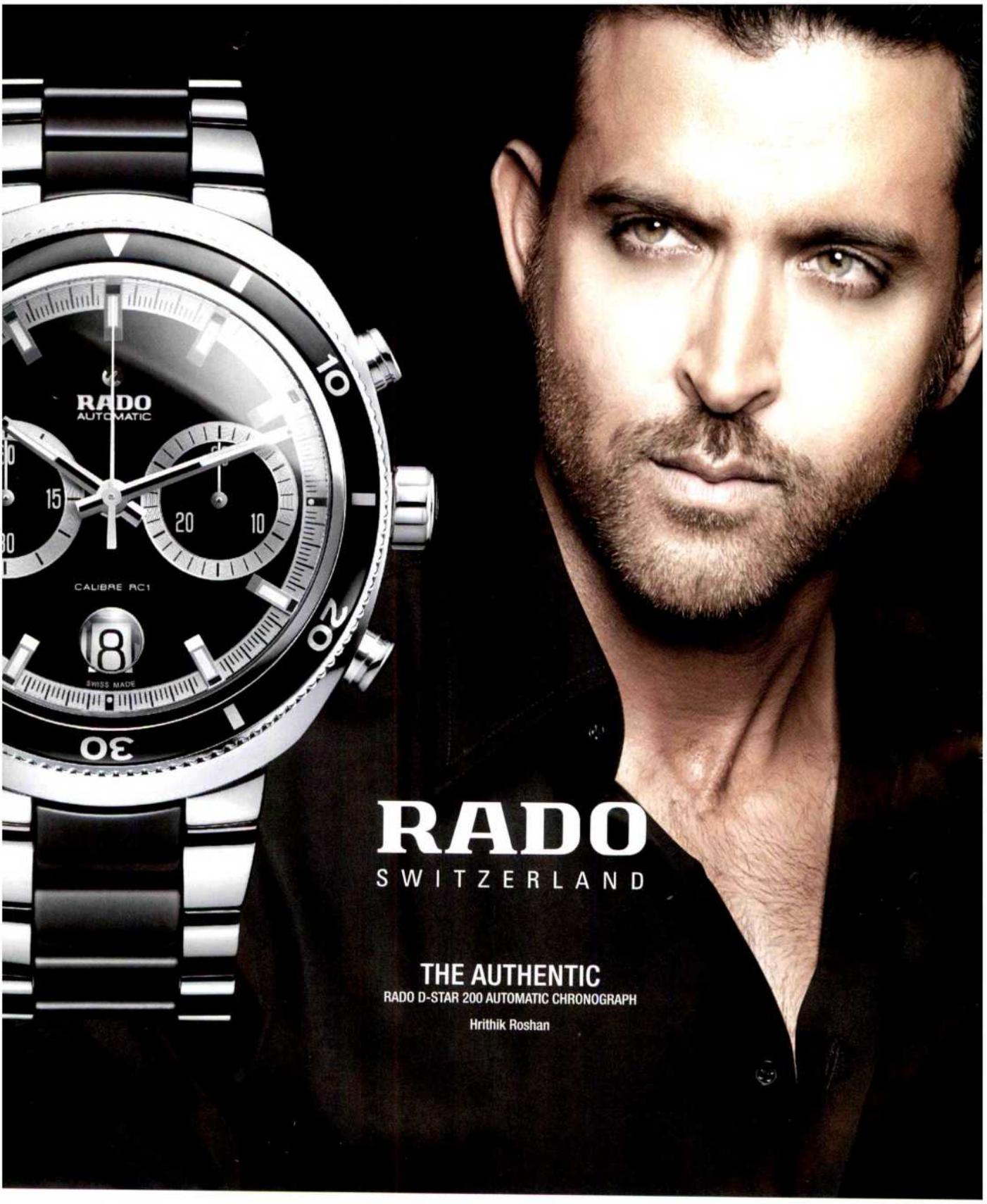

RADO STORES: AHMEDABAD: CG Road, 26442802. **BANGALORE:** Mantri Square Mall, 30160121; The Collection, UB City, 40982107. **COCHIN:** Oberon Mall, 4060336. **CHENNAI:** Ampa Mall, 42613000; Express Avenue Mall, 28464224. **GURGAON:** Ambience Mall, 4665607. **HYDERABAD:** Banjara Hills, 23420070; Jubilee Hills, 65795916. **KOLKATA:** Forum Mall, 22814466; Mani Square Mall, 40002954. **MUMBAI:** Borivali (W), 28337244; CR2 Mall, 67439854. **NEW DELHI:** Connaught Place, 43575253. **NOIDA:** Great India Place Mall, 4210121. **TRIVANDRUM:** Padmavilasam Rd, 9349451252.

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Robotic Fall Detection	Yes (4 sensors) to avoid falling off stairs etc.		
Robotic Dirt Detection	Yes	No	No
Robotic Virtual Wall Detection	Yes (Virtual Wall included for space isolation)		
Robotic Gyro Sensor	Yes for directional orientation while in motion		
Robotic Disentanglement	Yes for coming out of narrow spaces		
Robotic Charging	Yes (Charging station included)		
Robotic Cleaning Modes	6	Auto Intelligent	2
UV Protection	Kills bacteria, germs, viruses		No
Cleaning Surfaces	Hard, wood, glass, marble, tiles and carpets		
Slight Wet Cleaning	Mop and holder provided		No
Working Time on Full Charge	60-90 min	70-90 min	45-60 min
Remote Control Coverage	7 meters	15 meters	7 meters
Climbing Clearance	2.3 cm	0.9 cm	2 cm
Noise Level	63 dB	53 dB	65 dB
Dimensions (WxDxH) mm	355x355x95	330x330x82	355x355x100
Bagless Dustbin Capacity	1 Litre	0.37 Litre	0.25 Litre

Specs subject to change for betterment & vary with models. Battery Life varies with cleaning mode.

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From the Editor

Companies and human beings are surprisingly similar. Over a long period of time we build an intricate geodesic dome of habits, rules, principles, emotions, likes and dislikes. Changing ourselves is very, very difficult, even when we know that our future well-being, prosperity and happiness depend on how we change and adapt. Similarly, companies are not born with the pluperfect charter or framework on which the muscle of future success is slowly added. Companies live and die by their customers; individuals like you and I live and die by our relationships. When companies emerge from their comfortable tents and are shaken and nearly toppled by the howling blizzards of economic change, they have to change, whether they sell soap or jeans or dinner plates. That sort of deep change is the most wrenching, but it is the only alternative to slow death.

Towards the very end of the last century I had the good fortune of learning from one of the masters of change management, Robert Quinn of the University of Michigan's Ross Business School. In his book "Deep Change: Discovering the Leader Within", Quinn says it is very difficult for us to comprehend that deep change needs to often come about within us, not in someone or something else.

"Organisations and change are not complementary concepts. To organise is to systematise, to make behaviour predictable. All organisations are based on systems of external and internal expectations... As time goes on, however, these routine patterns move the organisation towards decay and stagnation," Quinn writes. "When internal and external alignment is lost, the organisation faces a choice: either adapt or take the road to slow death. Usually the organisation can be renewed, energised, or made effective only if some leader is willing to take some big risks by stepping outside the well-defined boundaries. When this happens, the organisation is lured, pushed, or pulled into unknown territory. The resulting journey through the unknown is a terrifying experience, with the possibility of failure or death a reality rather than a metaphor."

I have quoted Bob Quinn at some length because many Indian businesses are passing through unaccustomed turbulence. The loosening of the licence shackles created many new opportunities and tremendous growth. But customers and markets are unforgiving of complacence, or at worst indifference. We are inundated by how-to prescriptions from our phalanxes of pundits. It is also illuminating to read about the journeys to the brink of the financial precipice and how companies – and more importantly the people who stand alone at the top, gazing at the gyrating compass – take that saving step back. *Business Today* asked 14 business leaders to tell us their stories in their own words, and I commend this fortnight's cover package, marshalled by Special Projects Editor Alokesh Bhattacharyya, for both your edification and preservation (page 62).

For the past few months, Senior Editor AnandAdhikari has been patiently piecing together the fascinating story of Jignesh Prakash Shah, whose MCX-SX exchange got a thumbs-up from the Securities and Exchange Board of India just days before we went to press. Shah is probably India's most pugnacious financial entrepreneur. His rivals say he cuts corners, but he flaunts the fact that he was vetted by the Monetary Authority of Singapore, where he helped set up the Singapore Mercantile Exchange (he has also set up technology-driven financial exchanges in Dubai, Bahrain, Mauritius and Botswana). Shah has been known to complain that India tends to look askance at true entrepreneurs like himself, and that institutional competitors like the National Stock Exchange, his biggest foe, are thinly-disguised personal fiefdoms. There are always two sides to a story, and it does not help that both Shah and his rivals revel in opacity. Still, you will enjoy reading his story of derring-do starting on page 36.

Chaitanya Kalbag

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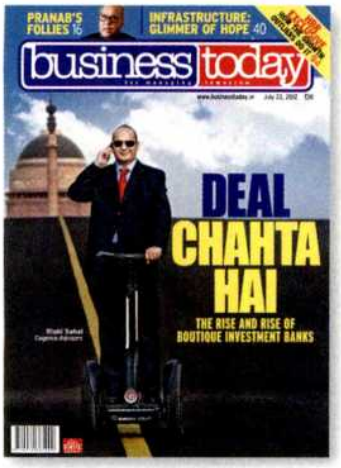

Small is Beautiful

Your cover story (*Deal Chahta Hai*, July 22) was enlightening and encapsulating. It provided excellent examples of so-called bottom of the barrel deals, and gave us a fresh perspective on the investment business expertise of boutique banks. It highlights an interesting point without undermining the importance of the bigger banks. Rather it presents an interesting proposition of boutique investment firms commingling with the bigger fish. Such a combination can boost an ever-growing nation.

Anish Ravi, *Chennai*

Silent PM

The story (*Cry, The Beloved Country*, July 22) opens a new debate about our ailing economy. The author has listed many of Pranab Mukherjee's missteps. What bothers me is that the PM has kept mum. If it is true Mukherjee has taken all the major decisions, why was it allowed? One hopes the 2014 elections will bring an end to this regime.

V. Nirmala, *Mumbai*

What lies ahead

If India has to sustain its growth story infrastructure will play a key role. It is heartening to know that despite land and funding issues, roads are being built at a healthy pace (*In the Fast Lane*, July 22). Connectivity is the key for the one million odd villages in India. The sooner we connect them, the better will be our economic status.

Srinath H.R., *Bangalore*

Send all your comments to editor.bt@intoday.com

www.facebook.com/BusinessToday

Google to sell its own tablets: Most of the components are made by Asus. Google is still lagging behind in hardware technology.
Avnish Kumar

Comparisons between Facebook and Google: Comparing Facebook and Google in terms of revenues is meaningless. Google with its search engine and smartphones has more scope of revenues, while Facebook is restricted only to social networking. Comparing in terms of number of users, network traffic, gives good comparison analysis.
Arul Selvam

If that was true, you would have remained as Finance Minister and done something to revive the economy @BT_India: Rastrapati Bhavan is not a dumping ground: Pranab Mukherjee
vigmukesh

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Helping Hand

The cover story (*Deal Chahta Hai*, July 22) on the rise of boutique investment banks was an excellent one. The main advantage of dealing with these banks is the access they provide clients to experienced financial professionals. The senior management at these firms generally plays an active role in the business pursuits of clients. Many small companies turn to boutique investment banks out of necessity. These bankers have shown it is better to be a shark in a backyard pool than a minnow in the Atlantic.

R. Yogesh Kumar Jain, *Hyderabad*

R.Yogesh Kumar Jain wins the prize for the best letter of this fortnight

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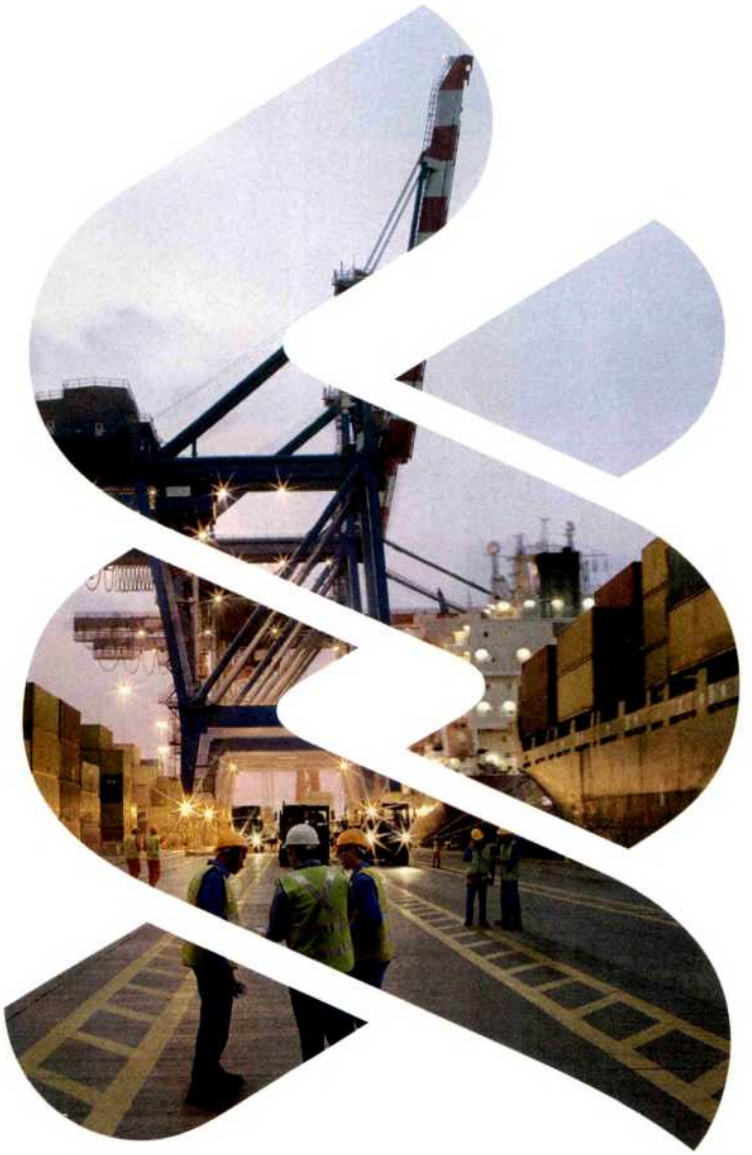

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COVER BY KAPIL
PHOTOGRAPH BY VIVAN MEHRA

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COVER STORY

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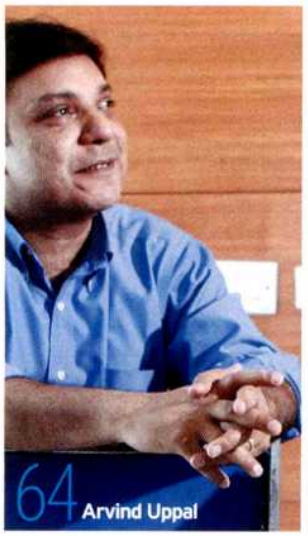
Stories of companies that faced tough times and emerged stronger, told by the people who were in the thick of things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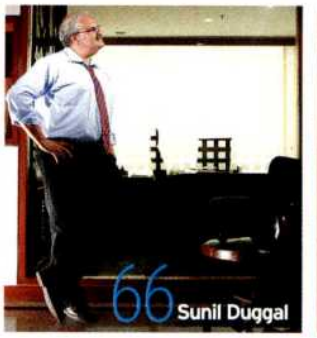
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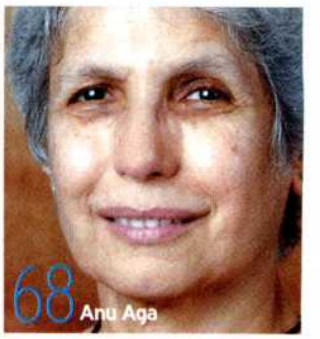
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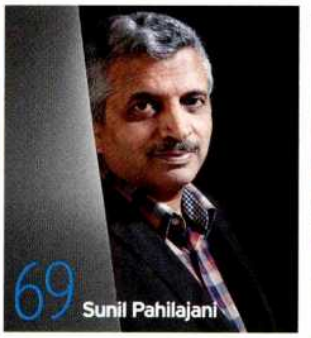
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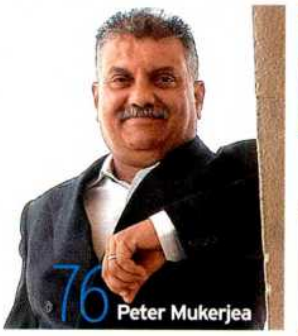
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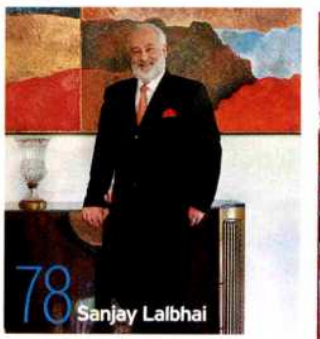
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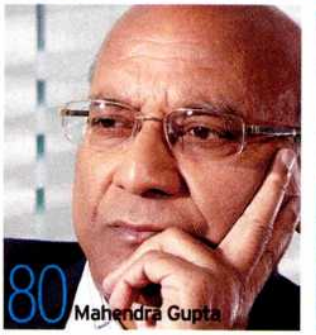
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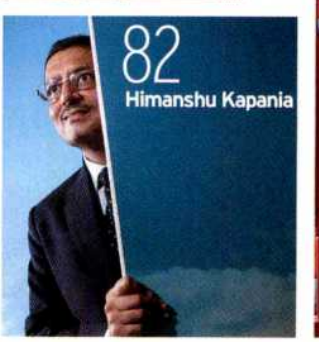
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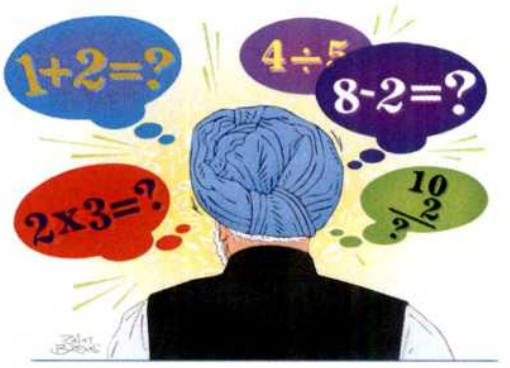

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PRIDE AND PREJUDICE

The Western ghats are now a UNESCO world heritage site. What does that mean for business? Team *BT* takes a look.
businesstoday.in/ghats-unesco

Tracking Business Confidence

Business Today's quarterly reports on the state of business confidence are now archived online. Take a look, and track the BCI with us.
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BLOGS

The Umbrella Blog
Anusha Subramanian on the advent of aerial advertising in India.
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Bee-Spoke
Shweta Punj on the stumbling blocks in the way of e-governance proposals.
businesstoday.in/shweta

Surround Sound
E. Kumar Sharma on how to encourage bureaucrats to take tough decisions.
businesstoday.in/kumar

YouTube

Check out *BT*'s new video channel, including interviews, with some of the leaders from our *How I Did It* special.
youtube.com/user/businesstodayindia

PODCAST

Suveen K. Sinha on the value offered by boutique investment banks, and **Sanjiv Shankaran** on the challenges in the infrastructure sector.
businesstoday.in/podcasts

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SMART READER CONTEST

Answer this simple question by August 8 and get a chance to win a Reebok bag.

How many HUL employees received a 'consumer and customer licence' from the company last year?
(a) Less than 1,400 (b) More than 1,400
(c) 1,400

Correct answer to July 8 issue's question:
Which was the first state in the country to start the scheme of distributing free bicycles to schoolgirls?
(c) Chhattisgarh
Winners: G. Venkata Subramanian (Chennai), Yogesh Kumar (Hyderabad), Mahesh Rao (Visakhapatnam)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

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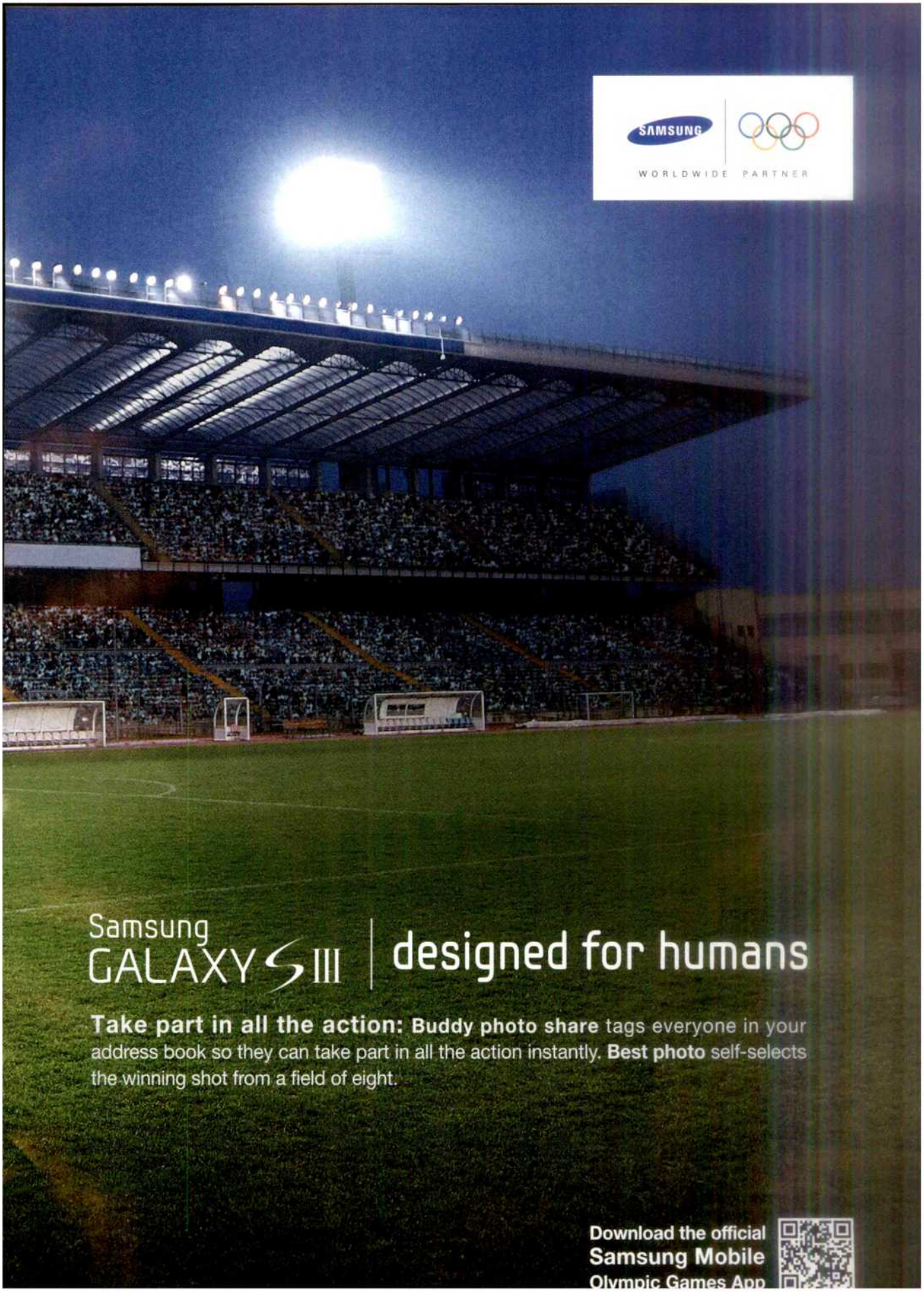
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Tech Talk: TCS CEO and Managing Director N. Chandrasekaran (in picture) has reason to exult. In a tough year, TCS reported results in line with estimates, with profit after tax rising 14.6 per cent from the last quarter to ₹3,318 crore, and reaffirming its position as India's top IT company. In contrast, Infosys failed to meet its dollar revenue guidance for the first quarter ended June 2012

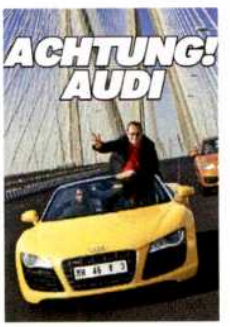
SHEKHAR GHOSH

Corporate

Another chapter has been added to the murky airlines story, with the controversial exit of **Bharat Bhushan** as Director General of Civil Aviation. Differences with Civil Aviation Minister **Ajit Singh** over the handling of Kingfisher Airlines, the action against errant pilots and airline safety, are cited as reasons.

Singapore Prime Minister Lee Hsien Loong believes India's business environment is complicated. Singapore is India's foremost trading partner in the ASEAN grouping. In general, foreign investors continue to be wary of India. Among other reasons, they cite cancellation of 2G telecom licences, the government's handling of the Vodafone tax case, the proposed tax anti-avoidance rules, and lack of progress in easing foreign direct investment rules.

BT RETRO



Audi, which sold 759 cars in June, has for the first time taken a slender lead over BMW (750 units) in the race for luxury car sales. Also see *www.businesstoday.in/audi-lux*

Car sales in 2012/13 are expected to grow 9 to 11 per cent versus the 10 to 12 per cent forecast earlier by the Society of Indian Automobile Manufacturers.

Tata Group Chairman Ratan Tata, set to step down in December from the helm of the $100 billion conglomerate, said in a recent interview with Bloomberg that he regretted not having been able to make the group a "truly open, flat, transparent organisation". On retirement plans, he said he would spend time on philanthropic activities related to rural development, water conservation and nutrition.

CARICATURE BY SANTOSH

Unemployment in advanced economies will remain high until at least the end of 2013. This is by far the weakest economic recovery in the past four decades, according to the Organisation for Economic Cooperation and Development.

Robert Diamond, former CEO of Barclays, will forego £20 million in bonuses for allegedly misleading regulators. He will receive about £2 million, a tenth of his full entitlement.

The Federal Reserve Bank of New York may have known as early as August 2007 that the setting of global benchmark interest rates was flawed. More than a dozen banks are being probed for their roles in setting Libor rates, including Citi, J.P. Morgan and HSBC.

Economy

India and China are witnessing strong **signs of a slowdown,** while most developed nations are seeing moderate growth, according to the Organisation for Economic Cooperation and Development. The Asian Development Bank cut its 2012 forecast for developing Asian nations from 6.9 per cent to 6.6 percent. It has also cut its forecast for 2013 from 7.3 per cent to 7.1 per cent.

India's GDP **growth will fall** below the six per cent mark in 2012/13 and may return to the high growth path of over nine per cent only after the general elections in 2014, says a survey of corporates by Standard Chartered Bank.

Industrial production grew 2.4 per cent in May, driven by manufacturing output. Analysts had expected an increase of 1.8 per cent. It is a vast improvement over the figure for April, which was revised downwards to – 0.9 per cent from 0.1 per cent.

It was a fortnight of bold statements and retractions. **P. Chidambaram**, widely tipped to be the next finance minister, was alleged to have said that urban middle class people who can afford mineral water and ice cream should not complain about rising prices. Within hours, the Home Minister said he had been misquoted. Earlier Law Minister **Salman Khurshid**, commenting on the drift in governance, claimed Rahul Gandhi was only playing a cameo. Soon after, he claimed his statement was wrongly interpreted.

$3.6 trillion
Estimated global IT spend in 2012. Cloud computing, telecom and consulting services are expected to lead the growth, according to research firm Gartner.

Seven
Rank of Indian stocks, in a list of best performers globally, in 2012. They have given investors a year-to-date return of 12.3 per cent, according to Bank of America Merrill Lynch.

$10.3 billion
India's trade deficit in June, which contracted as imports came down. Imports fell 13.46 per cent during the month to $35.4 billion while exports declined 5.45 per cent to $25.1 billion.

Markets

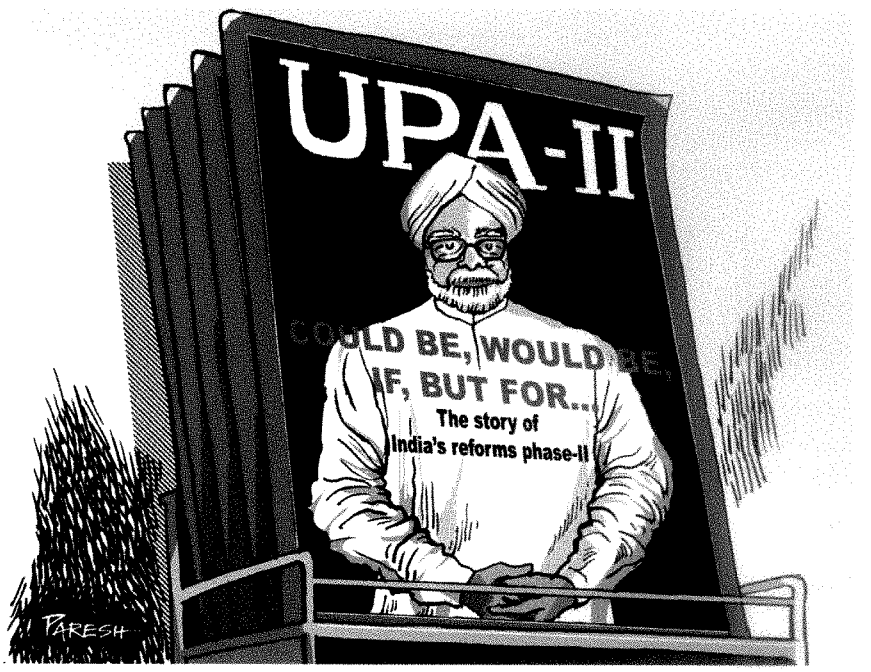
World **oil demand will slow down** in 2013 from its already weak growth in 2012, says the Organization of the Petroleum Exporting Countries. Europe's debt worries, a faltering US economic recovery and deceleration of growth in emerging markets have been cited as the reasons.

ATM terminals in India are expected to grow to 230,000 in 2015 from 93,800 in 2011, at a compound average growth rate of 25.11 per cent, according to a report by AM Mindpower Solutions. To cover costs, it would require a bank to record at least 5,000 transactions every month, or about 170 transactions a day. The national average for daily transactions per ATM is at about 125-130 a day.

Coming Up

- All eyes are on D. Subbarao with the first quarter review of monetary policy slated for July 31. There has been much speculation over whether the RBI Governor will lower the cash reserve ratio to improve liquidity. Indications that inflation will continue to stay high over the rest of the financial year will certainly be playing on his mind.

- The finance ministry is planning to set up an exchange traded fund to sell shares of state-owned companies and meet the current financial year's divestment target of ₹30,000 crore. Among those identified for divestment are Hindustan Copper, Oil India, SAIL, BHEL, HAL and RINL.



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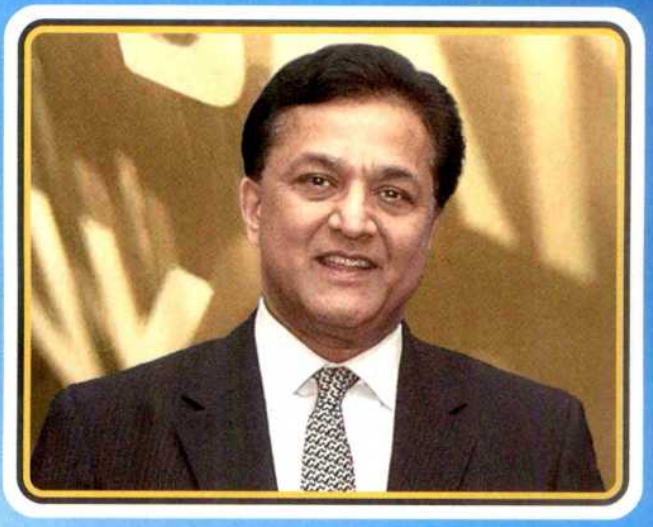

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- Dr. Rana Kapoor, Founder, Managing Director & CEO, YES BANK

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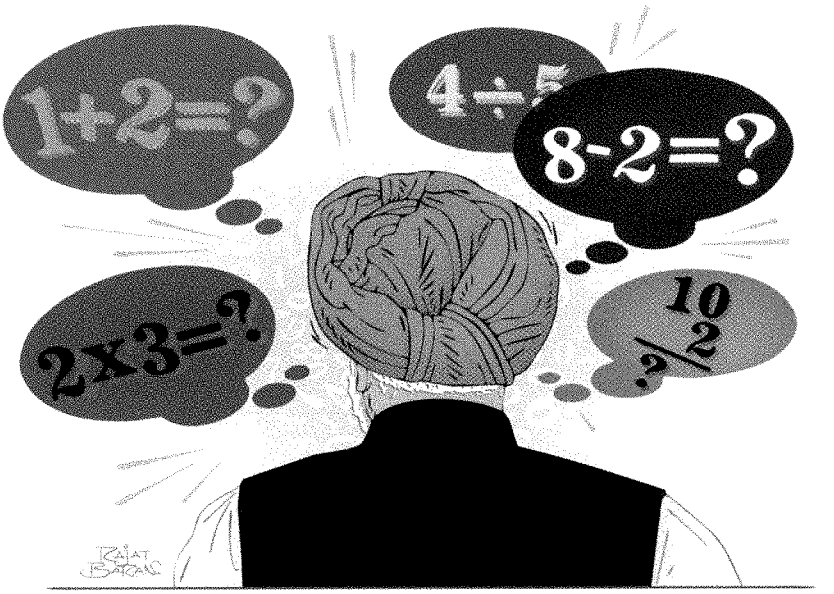

Last Chance to Save the Economy

Will the Prime Minister, who now holds the finance portfolio as well, take the right steps and salvage his reputation?

By GLENN LEVINE

5.8%
India's fiscal deficit in 2011/12

Prime Minister Manmohan Singh has made a strong start since taking over the duties of the finance minister a little over a week ago. The PM has hit the ground running and appears emboldened with his new duties, willing to tackle some of the tough issues, such as retail reform and some of the abhorrent foreign-investment rules proposed by his predecessor. There is support both within the Congress party and among the public to move forward. But is it just a honeymoon period for the country's new CFO, or the start of a more sustained period of effective policy-making and governance? And will this help lift India's economic outlook?

Singh last assumed control of the finance ministry in 1991 when the country faced an economic crisis. Comparisons of today's situation with that in 1991 are instructive but

wide off the mark. Then, the Indian economy faced a balance of payments crisis, a fiscal crisis and a collapse in investor confidence. Today the economy is troubled, but a full-blown crisis is unlikely, thanks to the freely floating rupee. In 1991, the currency was pegged to a basket of trading partners, and India at one stage had foreign reserves to cover only three weeks' of imports. Today India's reserves would cover around 6.5 months of merchandise imports, although this is down from a peak of 12 months in 2009.

The rupee, down 20 per cent against the US dollar over the past 12 months, is frequently held up as emblematic of the economy's recent woeful performance. This is only partly fair. Investors have cooled to the Indian economic story, and this is undoubtedly linked to poor governance and policymaking. But some of the recent outflow is due to Europe's recent travails, which amplify investors' risk aversion and so are negative for the rupee. And some of it is simply the exchange rate acting exactly as expected in a country with a large external deficit. If the rupee were not declining, it would likely mean a more painful adjustment down the road.

The rupee's performance is thus a by-product of prevailing economic conditions and the government ought not to waste time worrying about it. Pranab Mukherjee's attempts to support the rupee just prior to leaving office did nothing of the sort, and only served to confirm suspicions about the government's lack of economic expertise. The challenge now is the central government's large fiscal deficit. Indeed, this is the main factor behind the external shortfall; balance the government's books and the current account deficit disappears.

"THE MAIN DIFFERENCE BETWEEN 1991 AND NOW IS THAT TODAY'S PARLIAMENT IS DEEPLY DIVIDED, WHEREAS IN 1991 THERE WAS WIDESPREAD RECOGNITION THAT THE OLD SYSTEM HAD BROKEN DOWN"

But a balanced budget is easier said than done. The government has projected a deficit of around 5.1 per cent of GDP for fiscal year 2012/13, but this relies on rosy assumptions, such as GDP growth at 7.6 per cent. Using more realistic figures, deficit ends closer to six per cent of GDP, uncomfortably high. The most effective course for Prime Minister Singh involves scaling back subsidies for fuel, especially diesel. There will be a backlash, both within the Lok Sabha and among voters, but such a move is in the economy's long-term interest. With the Congress party likely headed for defeat in the next election, the government may as well do something productive before taking leave. It could not do much worse than it has been doing so far, taking the populist path over the last three years.

The stock market's decline and the currency's depreciation over the past 18 months may be transitory, but they reflect a profound shift in thinking among businesses and investors about India. There is now widespread recognition that India's long-term growth comes with significant risks, and that GDP growth above eight per cent per year does not just happen on its own. The correct policies and the right business environment need to be in place. Investors have recognised this. The big question is whether policymakers have done so as well.

The prime minister is an astute, experienced politician who doubtless recognises the challenges facing the economy. The next couple of months will be crucial. After more than 30 years in public office, Singh's legacy may well be determined by his remaining time in office. If he treads water, as he has since the 2009 election, he will quickly become a lame duck, more than a year out from the 2014 election. In a best-case scenario, however, Singh could begin with small changes – such as a reduction in fuel tax subsidies, which would not need Parliamentary approval – to generate momentum and raise expectations for reform. This could turn around business confidence and investor sentiment, help to fund the current account deficit and support the rupee. If he can reignite the optimism that existed around the Indian economy as recently as 18 months ago, it could become self-fulfilling, lifting investment and economic growth.

Is it too late for Singh? The main difference between 1991 and now is that today's Parliament is deeply divided, whereas in 1991 there was widespread consensus that the old system had broken down. The opposition and regional parties have made the government's life much more difficult today, and there is still no widespread recognition that the current economic management has failed. GDP growth of five to six per cent is still respectable in most circles, although it is well short of what India should achieve. Most likely, the economy will continue to perform below potential, much like the prime minister himself. ◆

The author is Senior Economist, Moody's Analytics

Halfway House

The introduction of the new service tax regime is timely but grey areas remain.

By MANU KAUSHIK

Days before stepping down as finance minister to become the UPA's Presidential candidate, Mukherjee paved the way for a far reaching indirect tax reform – the introduction of a new service tax regime in India. On June 20, Mukherjee announced the revised 'negative list' of services to be exempt from tax, starting July 1. All other services, which fall within the definition of 'supply of services', became taxable at a flat rate of 12 per cent. The government hopes that the new system will be easier to implement and will widen the tax base.

The previous method of taxation was based on a 'positive list' – it had a detailed description of each taxable service. This approach, introduced in 1994, became prone to abuse and litigation. The scope of the definition of taxable services was wide and led to unintended taxation requiring further clarifications. "The negative list approach will keep the possible areas of conflict to the minimum and lay down a more lucid and hassle-free legislation," says Sachin Menon, head of indirect tax at KPMG.

The 'positive list' included 119 services whereas the 'negative list' has 17 items. Another 38 would also be outside the service tax net as part of a separate exemption list.

Services such as transport of goods or passengers, electricity transmission or distribution, metered taxis, auto rickshaws, betting, gambling, lottery and entry to amusement parks have been included in the negative list.

Conversely, services such as coaching classes and training institutions will come under the tax net, though it will not be levied on school, university education and approved vocational courses. Bollywood and television actors have also been kept out of the negative list and they will have to pay service tax under the new guidelines.

The new tax system is expected to swell the government coffers by ₹27,000 crore, according to the Ministry of Finance.

However, there are plenty of grey areas. For instance, a lot of transactions would now be subject to both sales tax and service tax, which will raise the issue of double taxation. Besides, the move is expected to create market distortions. For example, the government has exempted the core services provided by the Indian Railways, namely transportation of goods and passengers, from the levy of service tax but road transportation is still being taxed.

Ashok Dhingra, Partner at law firm J. Sagar Associates, says that the devil is in the detail. "For certain services, only the supplier was liable to pay the service tax previously. But under the new mechanism, both the service provider and service receiver will be considered liable. This will create hassles for service recipients," he explains.

Most experts though agree that it was a long-awaited decision and will take the economy a step closer to a goods and service tax (GST) regime. ◆

THE NEW TAX SYSTEM IS EXPECTED TO SWELL THE GOVERNMENT COFFERS BY SOME ₹27,000 CRORE, ACCORDING TO THE FINANCE MINISTRY

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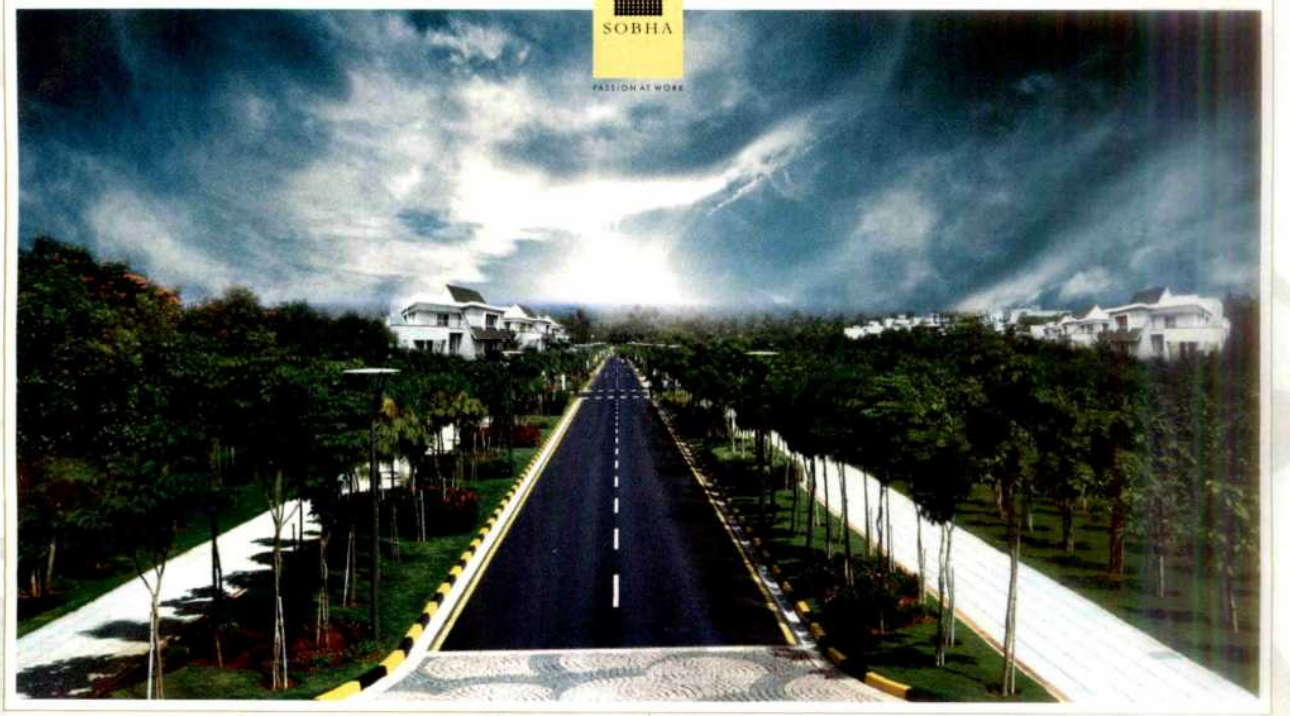

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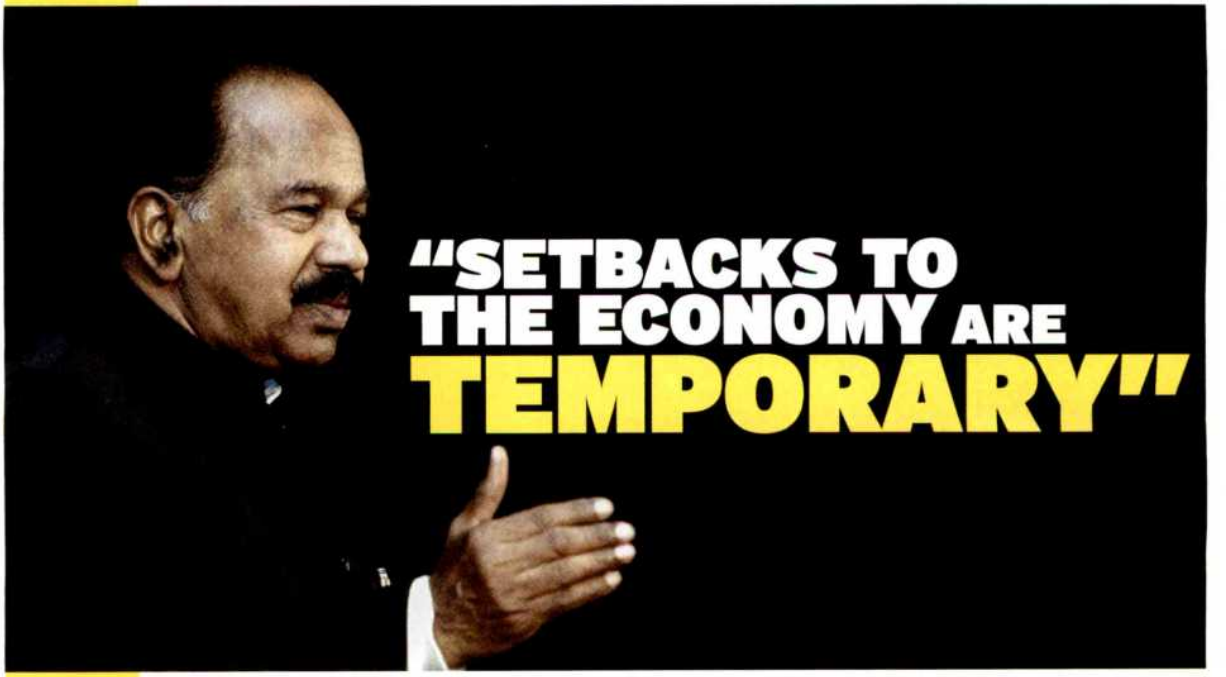

YASBANT NEGI\www.indiatodayimages.com

M. VEERAPPA MOILY, Minister for Corporate Affairs, spoke to **Sebastian P.T.** on the much-awaited new Companies Bill, the state of the economy and the retrospective tax proposal, which he agrees is creating a negative perception about India. Edited excerpts:

On the delay in passing the new Companies Bill: The Bill was referred for the second time to the Parliamentary Standing Committee on Finance because I wanted to take the Opposition on board. We have received the second report. I will present it before the Cabinet soon and hopefully, it will be passed in the monsoon session (of Parliament).

On suggestions by the Standing Committee : Corporate social responsibility (CSR) will not be mandatory. But CSR activities of companies should be directed in and around the area of their operations. It also suggests 'private placement' be explicitly defined, auditors' appointment be ratified at every AGM (annual general meeting) and limiting the number of companies a person can audit.

On the economy: The assessments by rating agencies are based on perceptions. Though there are temporary setbacks such as in manufacturing, India's growth should not be judged on a quarterly basis. Our economy has strong fundamentals. A few decisions need to be taken soon. The retrospective tax proposal, high interest rates, inflation and low infrastructure spend build a negative perception. I have written to the PM to reconsider the retrospective tax proposal. Many governance reforms, both in the public and private sectors, are round the corner and these will create a climate for investment. About $1 trillion of investment has been lined up for infrastructure. With 55 per cent of FII and FDI coming through Mauritius, Cyprus and Singapore, their fears over 'round-tripping' have to be tackled. When we address all these problems, the perception will change.

On the status of International Financial Reporting Standards (IFRS): We are waiting for the Direct Tax Code to come through. We are hoping to implement IFRS by 2013.

For the full interview, go to
www.businesstoday.in/moilyspeak

If you have any of these symptoms - Addictions | Crying | Dry Mouth | Fatigue | Frequent Urination | Headache | Increased Heart Rate | Muscular Weakness | Nail Biting | Negativity | Reduced Memory | Sleeplessness | Sweaty Palms & Feet | Teeth Clenching

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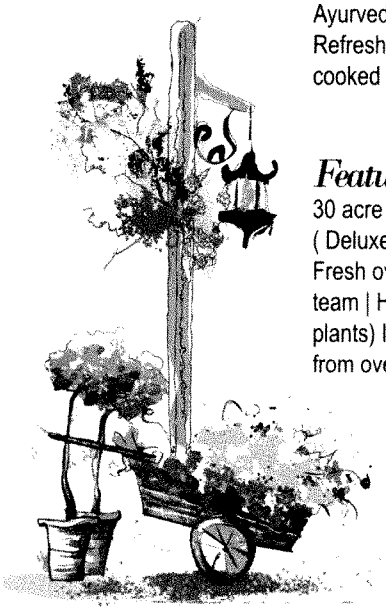

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In Need of a Pick-me-up

More reforms are necessary for the mutual fund industry to grow in a sustained and balanced manner, says ASHVIN PAREKH

LATELY, REFORMS HAVE FOCUSED MAINLY ON INVESTOR PROTECTION. THEY SHOULD TAKE A MORE BALANCED VIEW

The Indian mutual fund industry has grown significantly since the launch of economic reforms in the early 1990s. It took off in 2003/04, coinciding with the strong growth of the economy and capital markets. Total assets under management (AUM) have grown at a compound annual rate of 20 per cent. But growth peaked in 2009/10, and the AUM has since declined (see *Below the Peak*).

The increase in the size of the Indian mutual fund industry as a percentage of nominal GDP has been substantial. However, a global comparison using AUM figures from the Investment Company Institute (and from the Securities and Exchange Board of India for domestic data) and World Bank figures for nominal GDP shows that India has plenty of scope for growth. India's mutual fund industry is eight per cent of GDP. Australia's is 105 per cent, the US's is 77 per cent, and France's 50 per cent. Brazil's is approximately 40 per cent of GDP and the sixth largest in the world. China and Russia lag behind India.

AUM distribution in India shows a heavy skew (approximately 68 per cent) in favour of income- and debt-oriented schemes, which are short-term investments. Growth and equity schemes account for 28 per cent of total AUM, and balanced and exchange-traded funds, two per cent each.

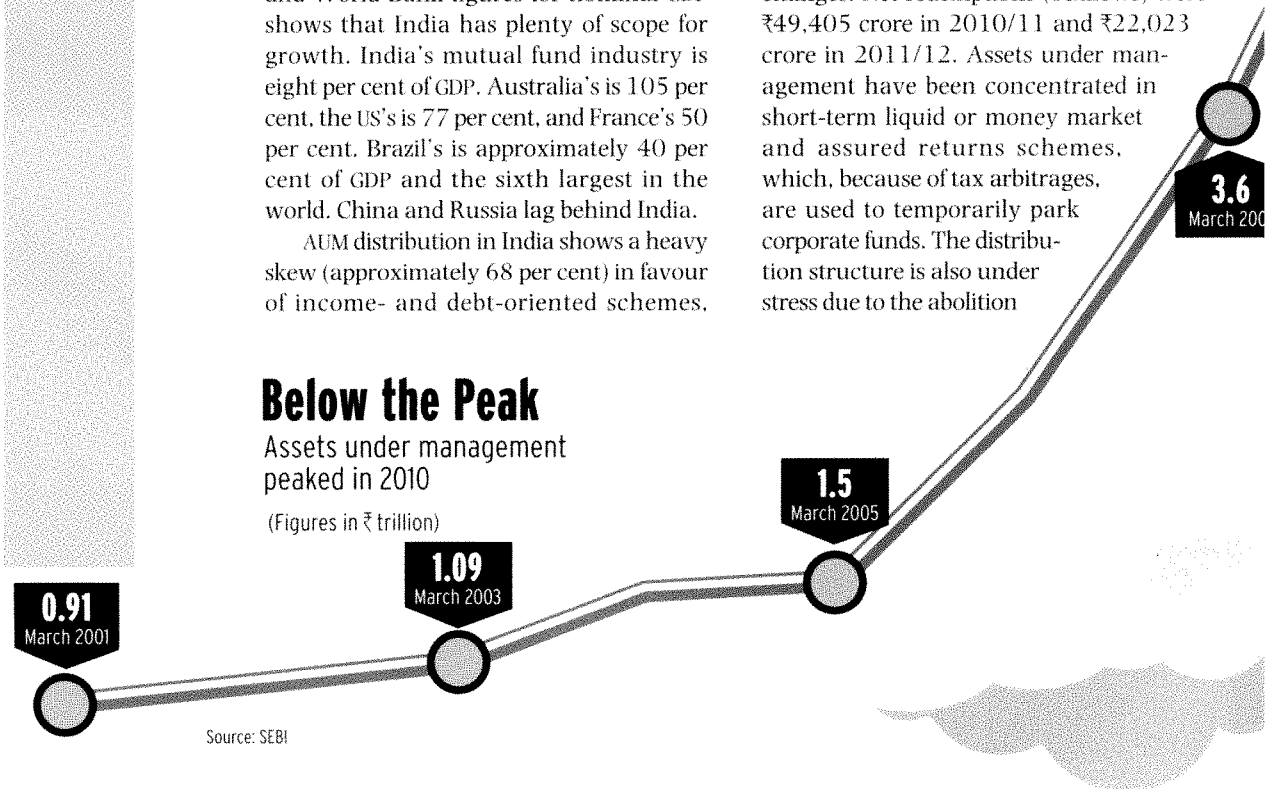
Distribution is skewed and shrinking. In March 2012, there were 84,793 mutual fund distributors certified by the Association of Mutual Funds in India. Of these, 78,282 were individuals and 6,511 were corporate distributors. The number was 114,000 on June 30, 2010. About 77 per cent of distributors are in just 10 cities. There is a need to rationalise the incentive structure so that distribution can spread to smaller centres.

Since 2009/10, the industry has faced big challenges because of the global and domestic economic scenario and regulatory changes. Net redemptions (outflows) were ₹49,405 crore in 2010/11 and ₹22,023 crore in 2011/12. Assets under management have been concentrated in short-term liquid or money market and assured returns schemes, which, because of tax arbitrages, are used to temporarily park corporate funds. The distribution structure is also under stress due to the abolition

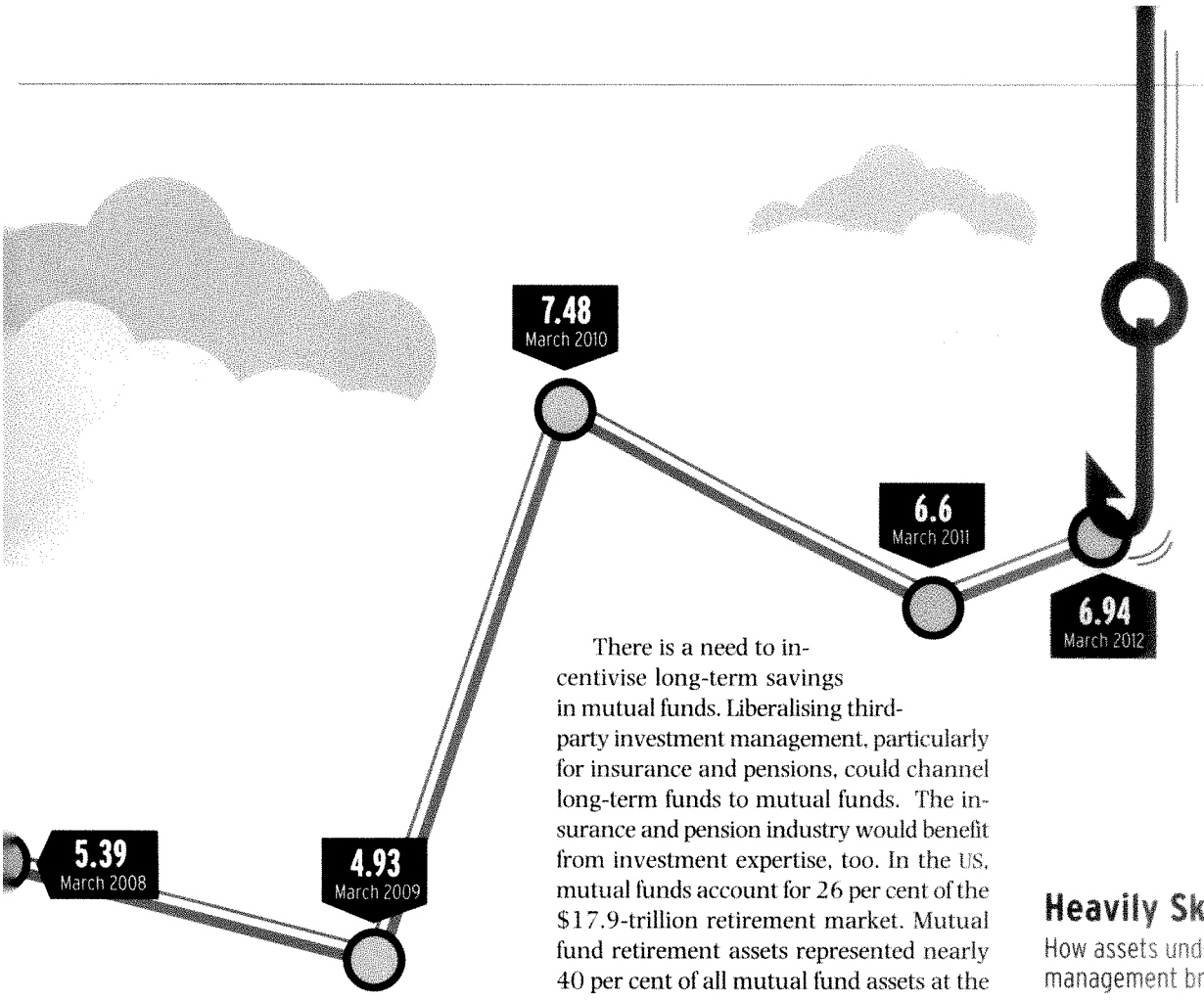
Below the Peak

Assets under management peaked in 2010

(Figures in ₹ trillion)



Source: SEBI



of entry load.

Transparency mandated by the regulator have been a major growth driver in the past decade. This would have helped growth, but regulatory overemphasis on protecting the retail investor has left product manufacturers struggling and the distribution system with no incentive to sell.

Low financial literacy has made it difficult to attract customers. A recent study – Visa's *2012 Financial Literacy Barometer*, which assessed 28 markets – ranked India 23rd. Brazil fared the best, followed by Mexico, Australia, the US and Canada. The survey found that Indian families hold money management discussions infrequently, and that even educated people lack knowledge of investment products and investment plans.

Despite tax benefits, equity-linked savings schemes have not generated sizable AUM. In March 2012, the AUM was approximately ₹22,326 crore – about four per cent of total AUM. So product manufacturers focus on products for corporate investors rather than retail ones.

There is a need to incentivise long-term savings in mutual funds. Liberalising third-party investment management, particularly for insurance and pensions, could channel long-term funds to mutual funds. The insurance and pension industry would benefit from investment expertise, too. In the US, mutual funds account for 26 per cent of the $17.9-trillion retirement market. Mutual fund retirement assets represented nearly 40 per cent of all mutual fund assets at the end of 2011.

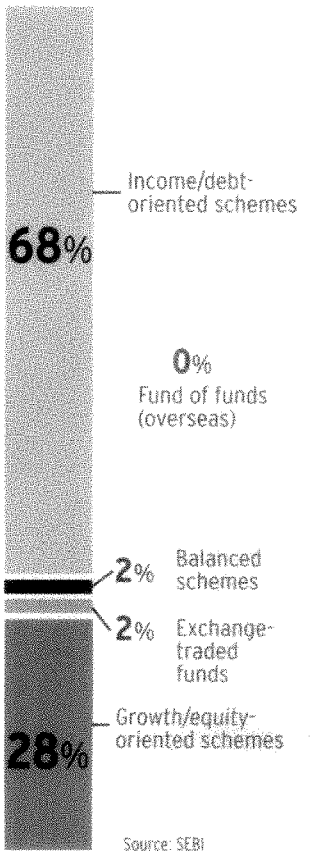
Tax rates do not encourage retail investors. For mutual funds, dividend distribution tax on equity schemes is zero. It is 12.5 per cent on other schemes, and 25 per cent on money market and liquid schemes. Long-term capital gains tax is 10 per cent with indexation and 20 per cent without indexation for non-equity oriented schemes. Short-term capital gains tax is 15 per cent for equity schemes and 30 per cent for non-equity oriented ones. Taxation should be simplified to give retail investors incentive to put their money in mutual funds.

The mutual fund industry has witnessed several reforms in the last two decades. These have helped it expand. But lately, reforms have focused more on investor protection than on taking a balanced view of the institution, issuer, intermediary, investor and instruments. Reforms that focus on structural deficiencies, distribution incentives and a tax structure that encourages retail investment will help the industry grow in the long term. ◆

The author is Partner and National Leader, Global Financial Services, Ernst & Young

Heavily Skewed

How assets under management break down



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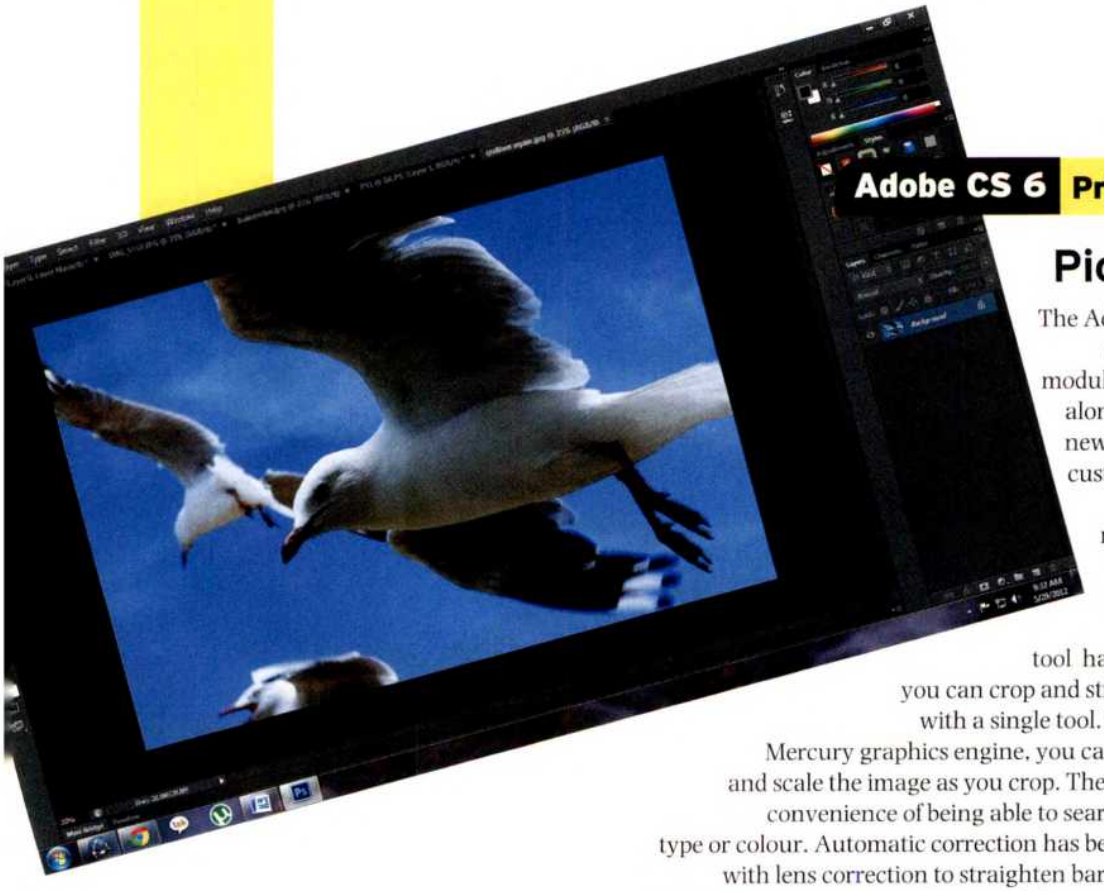
Laptop's Comeback

There is life beyond ultrabooks. Sony Vaio SVE14A is proof. This full-sized laptop, part of Sony's new E-series, has a flashy design with a red band running across the black matte body. Its performance, powered by the Intel Core i5-2450M Processor 2.50 GHz with Turbo Boost, is smooth and fast. The AMD Radeon graphics card and dedicated video memory also makes this a good option for gaming and video junkies. Adding to the entertainment quotient is the 14-inch LED backlight monitor and really loud speakers that use Xloud technology. Like other Vaio models, this one too has a dock that will help you keep your desktop clean.

Price, performance

Bulky, heavy

Sony Vaio SVE14A **Price:** ₹47,990



Adobe CS 6 **Price:** ₹78,288+

Picture this

The Adobe Creative Suite 6 has 13 upgraded modules with Photoshop alone showcasing 650 new features. The new customisable interface of Photoshop is minimalist and of a darker tone so the focus stays on the images. The crop tool has evolved and now you can crop and straighten the image with a single tool. Thanks to the new Mercury graphics engine, you can also zoom, rotate and scale the image as you crop. There is also the added convenience of being able to search layers by name, type or colour. Automatic correction has become more precise with lens correction to straighten barrel and pincushion distortions. Now, you just have to click icons for the effects you need to add, instead of opening each section separately.

New features, Easy to use

Expensive

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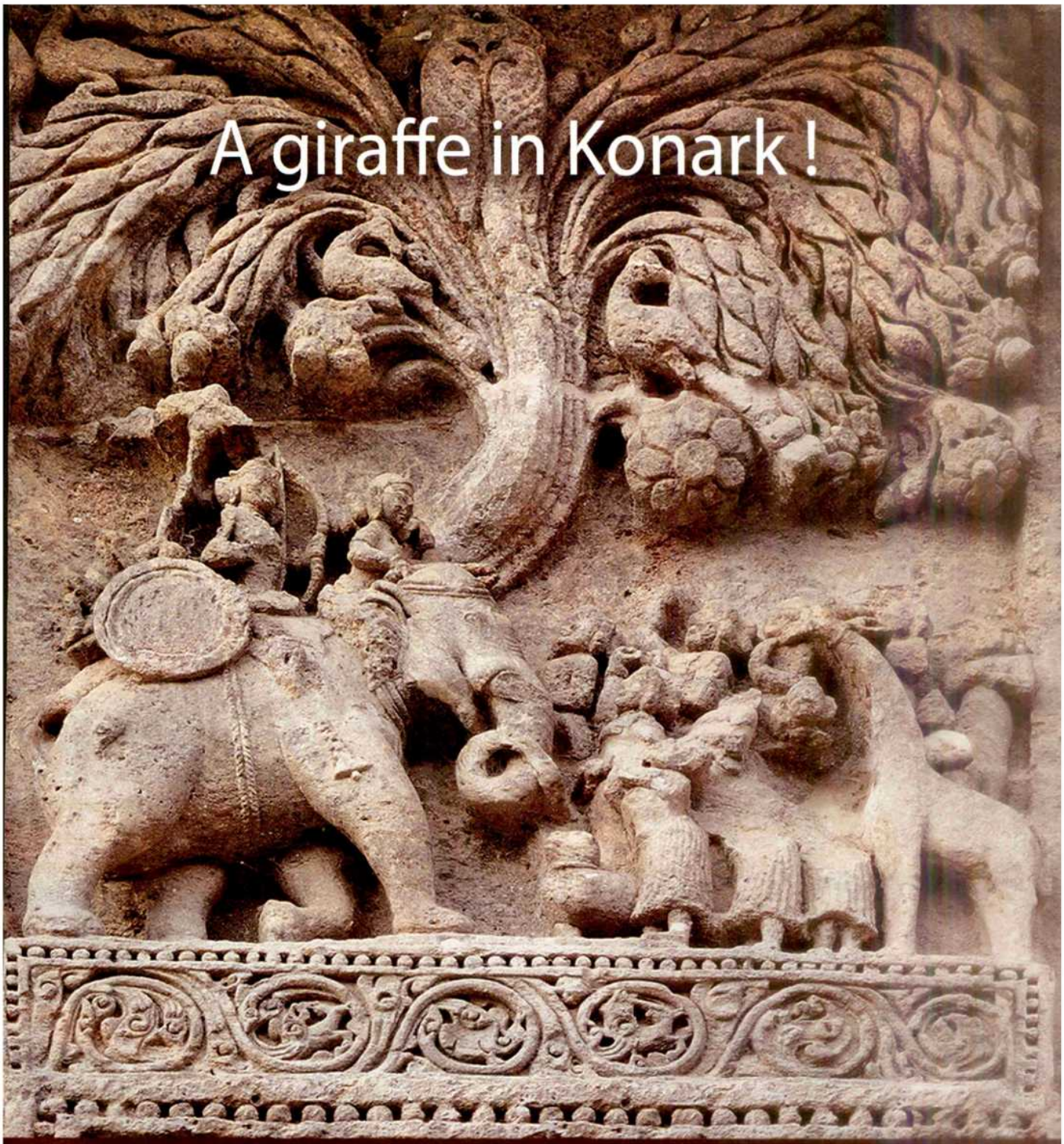
A giraffe in Konark !



13th Century Sun Temple, at Konark, Odisha

The magnificent animal giraffe, found only in Africa finds a place in one of the carved panels on the southern upper portion of pista or raised plinth of the grandest architectural marvel, Sun Temple, Konark - the 13th Century World Heritage Monument. Historians opine that, either a giraffe was brought alive by sea from Africa to Odisha or a few giraffes were brought to India, bred in a royal park somewhere and the king acquired one.

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naturata/OT/BT/07/12/03

"The common man of the country has been saying this for a long time that he (the PM) has practically no achievement to his credit...The legacy of Manmohan Singh is [making] India suffer and insecure"

Ravi Shankar Prasad, *BJP spokesperson, to* wire agencies

"We are confident that we will get out of the trough, and we will get back to high growth"

P. Chidambaram,
Union Minister for Home Affairs, in The Times of India

"IN A BID TO CUSHION THE PAIN OF INFLATION AND KEEP CONSTITUENTS HAPPY AHEAD OF EVER LOOMING ELECTIONS, THE UPA HAS BEEN BURNING THROUGH ITS BOOM-TIME CHESTS. BUT BUSINESS-FRIENDLY LAWS THAT COULD SPUR GROWTH ARE LANGUISHING, AND THE INDUSTRY IS STRUGGLING"

Time *magazine on Prime Minister Manmohan Singh's performance*

"Everyone has their own opinion. But Time magazine [should] first see what is happening in the US and Europe and then compare [them] with India"

Kamal Nath, *Urban Development Minister, in* The Times of India

"Time [magazine] is the patron of capitalism. They want FDI. Their opinion has no meaning as it is not going to benefit the poor"

Sharad Yadav, *Janata Dal (United) President, in* The Times of India

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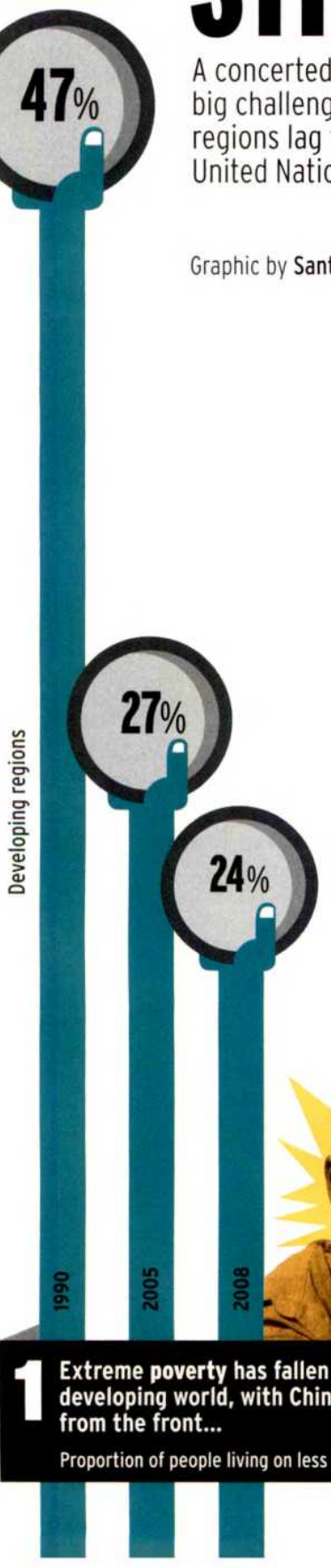
STILL A LONG HAUL

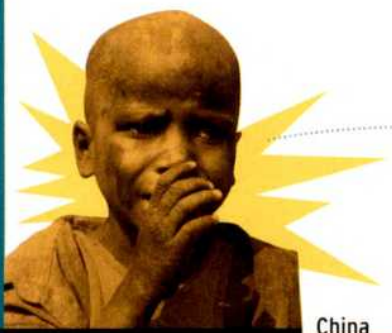
A concerted global effort to eradicate poverty has had visible impact but big challenges still lie ahead. While poverty levels are falling, developing regions lag far behind on most human development indicators, says the United Nation's *The Millennium Development Goals Report, 2012.*

Graphic by **Santosh Kushwaha**

1 **Extreme poverty has fallen in the developing world, with China leading from the front...**

Proportion of people living on less than $1.25 a day

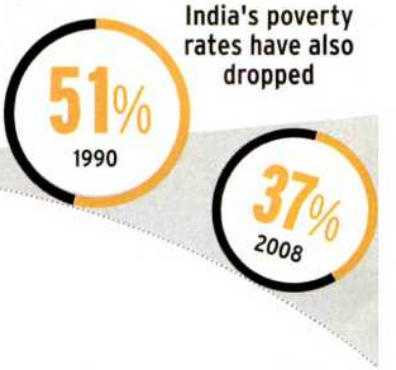




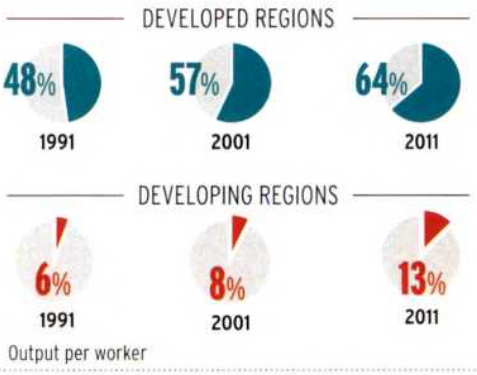
China

1990	60
2005	16
2008	13

India's poverty rates have also dropped



2 **... but the developing world trails the developed one substantially in labour productivity, a key measure of economic performance...**



PHOTOGRAPHS BY SHEKHAR GHOSH

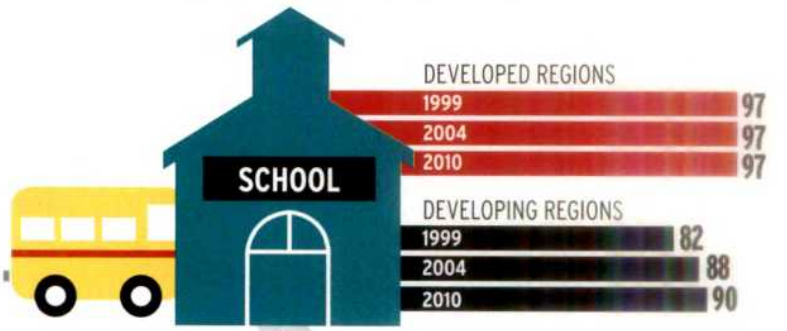
3 ... and **undernourishment** remains high, particularly in Asia and Sub Saharan Africa

Number of undernourished people

4 Nearly one in five children under age five in the developing world is **underweight...**

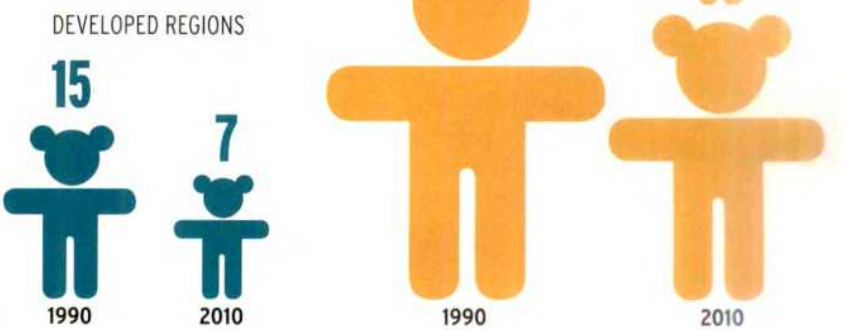
Percentage of underweight children

5 ... progress on **primary school enrolment** has slowed since 2004...



Adjusted net enrolment rate in primary education
Figures in per cent

6 ... **child mortality rates** are falling, but slowly

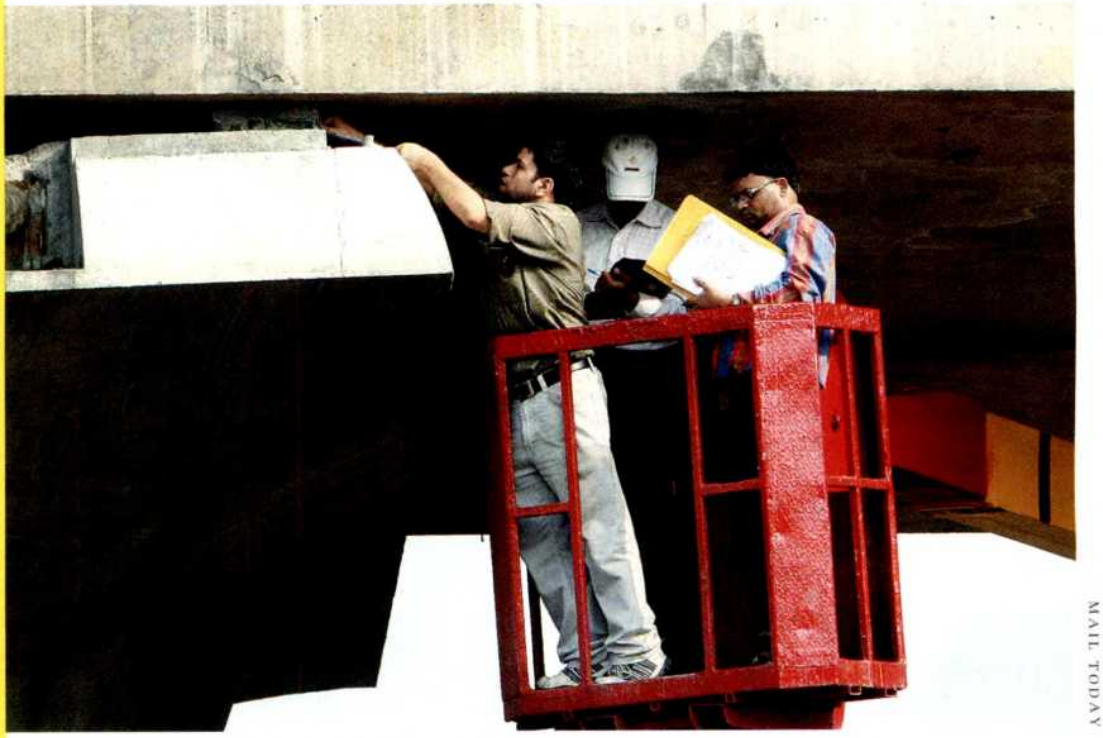


Under-five mortality rate
(Deaths per 1,000 live births)

Checking Out

Is Reliance Infrastructure looking to exit the Delhi airport metro?

By MANU KAUSHIK



MAIL TODAY

Danger: Engineers examining a crack under the elevated metro rail track leading to Delhi airport

A DMRC OFFICIAL SAYS RELIANCE HAS NOT BEEN ABLE TO MEET ITS INITIAL REVENUE PROJECTIONS

It was an urban infrastructure showpiece for the country until recently, but the sudden suspension of services has turned the Delhi Airport Metro Express into an expensive eyesore. Merely 16 months after the 23-km high-speed metro rail became operational, connecting New Delhi Railway Station to Terminal 3 of the Indira Gandhi International Airport, its operator, Reliance Infrastructure Ltd, has reported safety defects in the civil structure on the elevated section of the corridor.

Built at a cost of ₹5,700 crore, the airport line is the country's first metro rail project to be commissioned under the public-private partnership (PPP) model. Under the arrangement, the state-run Delhi Metro Rail Corporation (DMRC) completed the civil work, while the Delhi Airport Metro Express Private Ltd, promoted by Reliance Infrastructure and Spanish train maker CAF, was to operate the line for 30 years.

While Reliance Infrastructure blames DMRC for the defects, sources in the state-run company claim running the airport line has not been profitable for Reliance and it is preparing the ground to exit the project. A DMRC official, on condition of anonymity, says that Reliance has not been able to meet its initial revenue projections. In fact, a letter written in April by Reliance to DMRC to defer the annual concession fee of ₹51 crore says: "The company has been working towards meeting its business projections but is facing tremendous limitations that are beyond its control."

Reliance was aiming to generate 75 per cent of revenue from areas such as retail, property development, advertising and other commercial activities, and 25 per cent from fare collections. But the letter notes that ef-

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forts to raise revenue from non-fare sources have not yet succeeded.

Sumit Banerjee, Reliance Infrastructure CEO, however, said the decision to suspend services was "purely linked with safety". At a press conference on July 7, he also said that "the corridor is not making profits, but we would continue to operate the line."

This is not the first time the airport metro line has landed in controversy. It was supposed to be ready before the Commonwealth Games in October 2010 but overshot its deadline by almost five months. Again, in December last year, DMRC's then-chief, E. Sreedharan, threatened to take over the track from Reliance if it did not improve train speed and frequency.

Public response to the line has been subdued. Its average daily ridership is 20,000, half of DMRC's initial estimate. Reliance invested ₹2,880 crore in it, and a back-of-the-envelope calculation shows that, at an average fare of ₹50 per passenger, ticket sales would generate ₹1,095 crore – just 38 per cent of its investment – over 30 years. That means it will have to recover the remaining 62 per cent from non-fare revenue sources. While fares and ridership will rise over time, the company will also need money for debt servicing and operational expenditure, which will further affect its bottomline.

Mayank Shyam, Director at Traffic Media, one of eight out-of-home media firms working with DMRC, says expecting 75 per cent of revenue from non-fare sources is unrealistic. "Property development, especially advertising, in the existing network of the DMRC has completely collapsed. Advertising in the metro is not a profitable venture. Out of eight advertising companies that were working with DMRC, two have terminated their contracts and three others are on their way out," he adds.

Even overall, DMRC's non-fare revenue sources have largely underperformed. Globally too, income from property development is lower than revenue from fare collections. MTR Corporation, which runs one of the most profitable metro systems in the world in Hong Kong, earns only 35 per cent from non-fare areas.

Critics point out that the public-private partnership (PPP) model has never been successful in metro rail projects, and a Planning Commission working group on urban transport, headed by Sreedharan, has made the same conclusion. Akhileshwar Sahay, a strategic advisor to DMRC who was part of the working group, says it studied 113 cities and found that 90 per cent of metro rail networks were developed and operated by state agencies. "Whether it's Bangkok, Malaysia or London, the PPP model in metro projects has not succeeded," Sahay says. "If Phase-I and Phase-II of the Delhi Metro network are working properly, why is there a problem with the airport line alone."

Some industry executives, however, refuse to blame Reliance and criticise the DMRC for its haste. B.I. Singal, Director General of the Institute of Urban Transport, says: "In the past four years, DMRC has built around 125 km of rail network. No country has achieved this rate of construction. It is, therefore, not surprising to hear of such incidents." ◆

WHAT WENT WRONG

In May, Reliance officials found defects in 230 of 2,100 bearings on the elevated corridor

Airport metro services stopped from July 8 on safety concerns

Reliance Infrastructure says DMRC was responsible for the civil work

DMRC sources say Reliance is preparing the ground to exit as the venture is unprofitable

Reliance Infrastructure CEO admits the metro line is making losses, but says will continue operations

CRITICS SAY THE PPP MODEL HAS NEVER SUCCEEDED IN ANY METRO RAIL PROJECT ANYWHERE IN THE WORLD

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Soft Targets

For around 13, 000 distance-education students at Burdwan University, it has been an endless wait for their first year results. All because the university would not install a new software. Officials blame the delay on the inability of the executive council to meet and endorse the decision to use the new software.

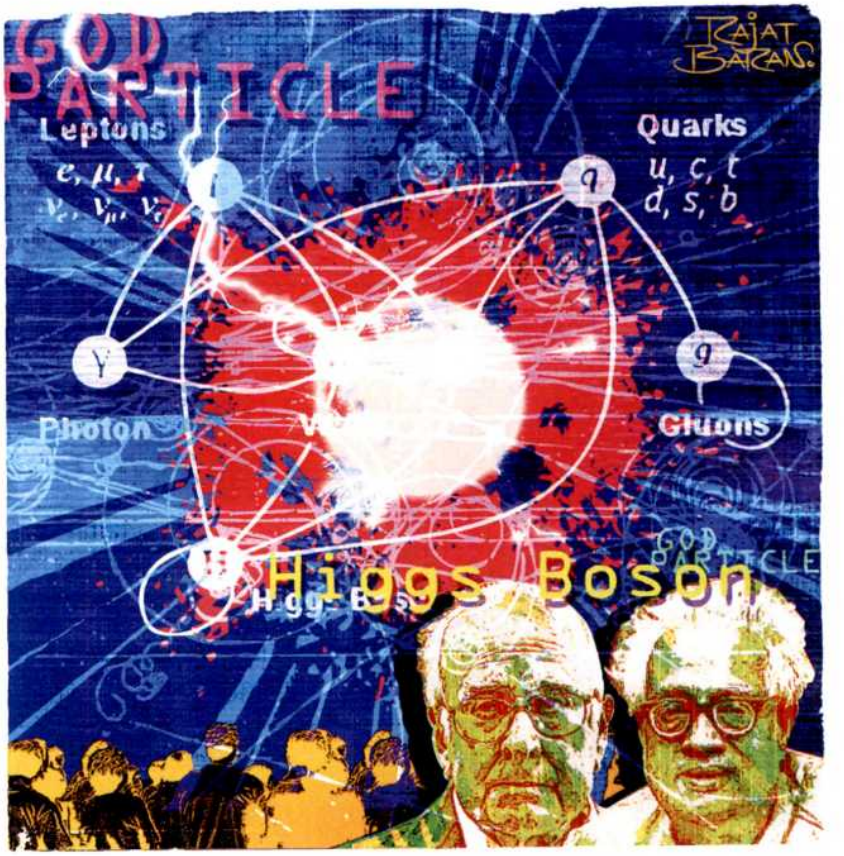
It Takes the Cake

It is a treat for pastry aficionados – only it is priced at a whopping £645 a piece. British confectionary firm Bloomsbury has unveiled the world's priciest cupcake – The Golden Phoenix – at its Dubai café. Its ingredients include organic flour and butter from Britain, premium cacao from Italy, vanilla beans from Uganda and 23-karat edible gold sheets.

Do Take Note

Reserve Bank of India officials are losing sleep over the growing menace of fake currency notes. They have launched a website to spread awareness about counterfeit currency. The portal, www.paisaboltahai.rbi.org.in, graphically describes the security features embedded on currency notes. Will it make a difference? Banks detected over 4,35,000 fake notes in 2010/11.

HOW THINGS WORK



God Shows His Hand

Scientists have broken fresh ground in their quest to unearth the basic building blocks of the universe with the discovery of the Higgs boson – known as the 'God particle'.

What it is: It is one of the fundamental particles that make up all matter and its discovery validates the Standard Model theory of the universe. A tiny subatomic particle, the Higgs boson weighs about 130 times as much as an atom of hydrogen, the lightest gas. It was detected in experiments at the European Organisation for Nuclear Research (CERN) lab near Geneva.

What it does: The 'God particle' interacts with other subatomic particles that are building blocks of atoms in a way that slows them down. This is the reason why matter in the universe has mass. Without mass, particles would be unable to coalesce together to form the atoms that make up everything, from planets to people.

The background: The 'God particle' was proposed in the 1960s by Peter Higgs to explain why some particles, such as quarks – building blocks of protons – and electrons have mass, while others, such as the light-carrying photon particle, do not. It was the final elementary particle predicted and required by the Standard Model which had not yet been observed through particle physics experiments.

Significance: The discovery will help scientists unravel more of the universe's great mysteries including 'dark matter'.

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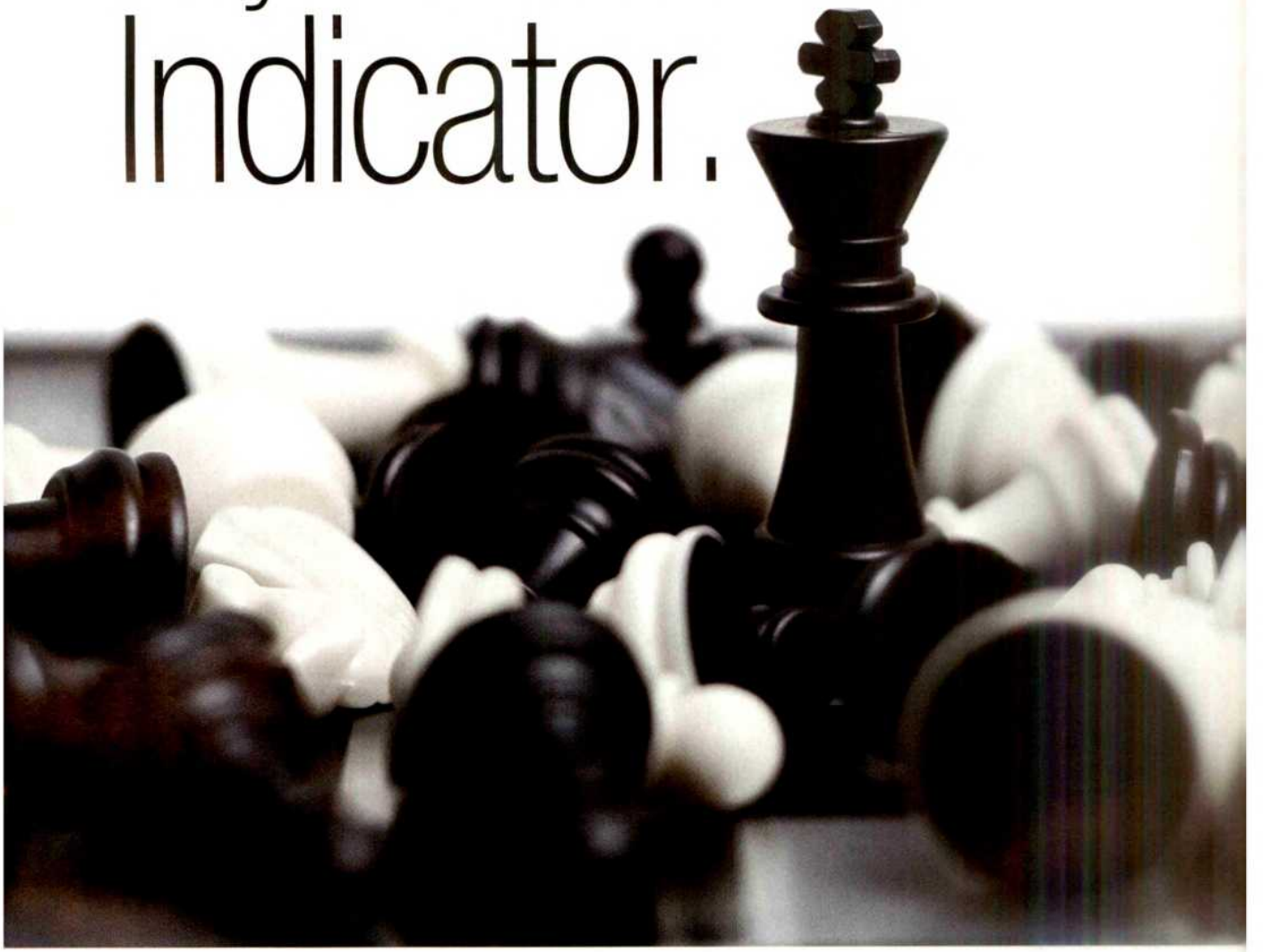

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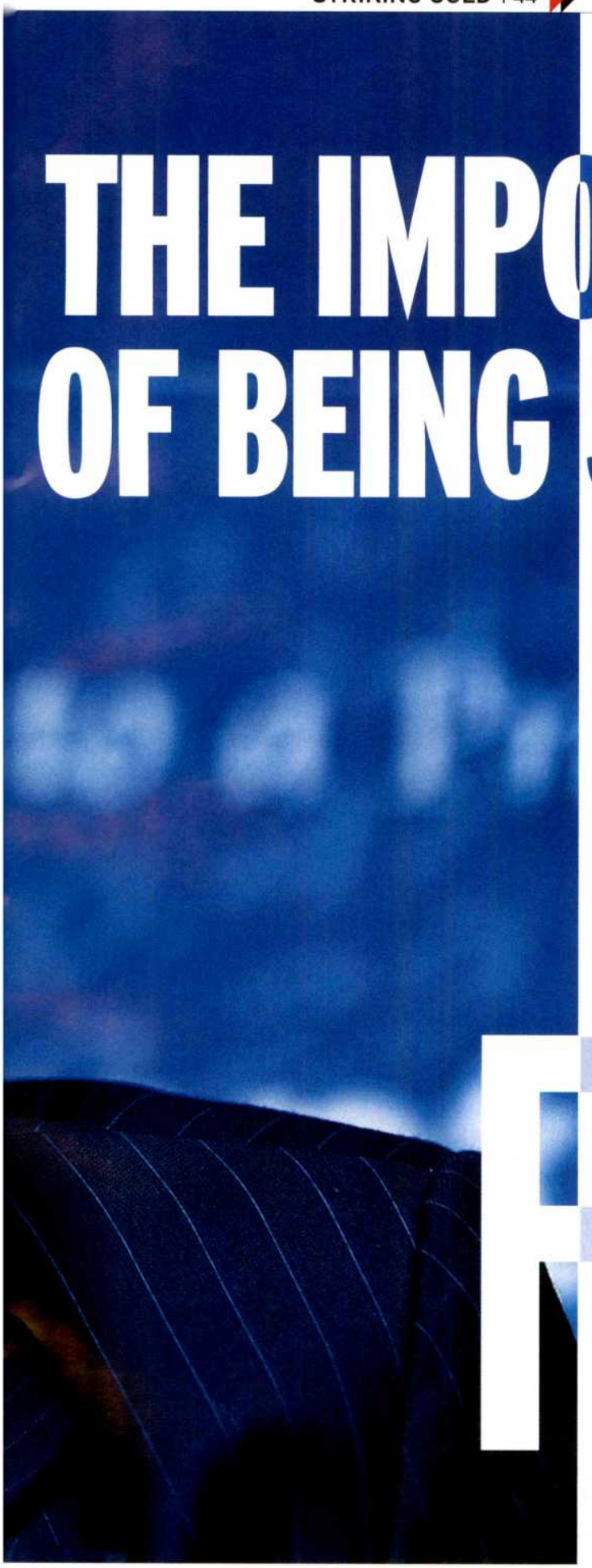
THE IMPORTANCE OF BEING JIGNESH

The man who controls more than a quarter of all assets traded in India eyes even greater dominance.

By ANAND ADHIKARI and MANU KAUSHIK



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We want to benchmark ourselves to Chinese exchanges where retail participation is nearly two-thirds.

Equity is glamorous but we will look at other products.

The bond market is a big opportunity to attract debt for investment-hungry infrastructure in India.

For a man appearing before the media for the first time in nearly four years, Jignesh Shah was not in the least hesitant. On July 11, a day after his MCX Stock Exchange Ltd received permission from the markets regulator to deal in equities and some kinds of futures, he took questions straight on with responses – three of which are reproduced above – that were precise in detail and context.

It was clear that the ambition in the stockily-built founder of India's biggest commodity exchange and self-styled "technology scientist" had not ebbed. Over some 10 years, Shah has built an empire of nine exchanges and related ventures in warehousing, information management and electronic payments, with combined revenues of ₹834 crore and estimated profits of ₹264 crore. That is all fine, but the next big bet 45-year-old Shah is

making is a push into equities and debt trading with MCX-SX, as his stock exchange company is called in short.

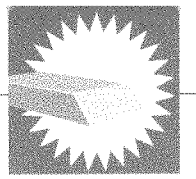
Those who know Shah say it is market leader National Stock Exchange (NSE) that he has in his sights. "BSE is no competition. It is only moving closer to a museum," he has been heard joking with colleagues. NSE is expected to have made revenues of around ₹1,600 crore in the financial year gone by (an unlisted entity, it declared revenues of ₹778 crore in the first half of 2011/12). Bombay Stock Exchange (BSE), Asia's oldest bourse, is smaller with revenues at ₹580 crore for 2011/12.

Shah, whom *Business Today* met in May, was not available for an interview for this feature.

For all the gung-ho atmospherics, Shah and his businesses are going through the roughest of times since he stepped into the limelight in the early 2000s as a first-generation billionaire businessman. The licence for MCX-SX came after nearly four years of fighting the Securities and Exchange Board of India (SEBI). Shah took SEBI to court for denial of a licence and the case was finally decided by the Supreme Court in favour of the businessman from Kandivali, a middle-class Mumbai suburb. The battle with SEBI, go whispers in New Delhi's power circles, even had the office of former finance minister Pranab Mukherjee sucked in. Retired senior government and regulatory officials – former finance secretary Ashok Jha, former revenue secretary Nitish Sengupta, and former Reserve Bank of India deputy governor Vepa Kamesan, to name three – who line Shah's companies and boards added heft to the battle.

Group flagship MCX, or Multi Commodity Exchange, is valued at over ₹5,660 crore and daily trading volumes have jumped to over ₹50,000 crore. But this is dominated by trade in gold and silver (see *Striking Gold*, page 44). Financial

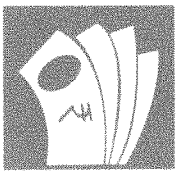
Shah and his businesses are going through the roughest patch since the early 2000s



NATIONAL SPOT EXCHANGE

Four-year-old spot exchange focusing on commodities and also investment products such as gold, silver and platinum

CHALLENGE
To reach out to farmers and build volumes in agricultural commodities, which would help tackle the problem of agricultural inflation



MCX-SX

3.5-year-old exchange for equity, and equity and currency derivatives, which got an equity and debt trading licence from SEBI in mid-July

CHALLENGE
To beat NSE in equity – a tall order as NSE enjoys market leadership and the backing of leading institutions

Technologies (India) Ltd, or FTIL, a software company that Shah founded in 1995 after he quit his job at BSE, has also lost lustre. At the height of the boom in the economy in 2007/08, FTIL, also the holding company for the group, was valued at over ₹12,000 crore. Today, its valuation is ₹3,500 crore – a decline of over 70 per cent, compared to a decline of just around 15 per cent in the benchmark BSE Sensex.

Flame-outs Aplenty

In the past several ventures of Shah and his group have faltered (see *In a Spot*, page 40). A quick summary:

- Safal National Exchange of India: A joint venture between the FTIL-MCX duo and National Dairy Development Board, Safal was to offer an online platform for fruit and vegetables. But, from day one, traders and farmers didn't see eye-to-eye on quality and price, and the partners could not agree on the way forward. In less than a year, Shah's first effort at "markets for the masses" crash landed.
- Dubai Gold Commodity Exchange: A 50:50 venture with Dubai Multi Commodities Centre, DGCX was strategically located between the time zones of London and Tokyo, but two years into the business, Shah had to cede control. It had accumulated losses of ₹100 crore in December 2009, after which accounts have not been finalised pending capital infusion.
- National Bulk Handling Corporation: An ambitious push into collateral management services, NBHC was to set up warehouses where farmers "even with a bag of a commodity" could get a loan through banks. The plan is not dead but with revenues of just ₹123 crore for 2011/12, contracting profits, no company-owned warehouses near major mandis, and mostly manufacturers and traders as clients, the business is not exactly on fire.
- National Spot Exchange: A spot exchange set up with the National

Critics caution that an entrant in today's bear market will find things tougl

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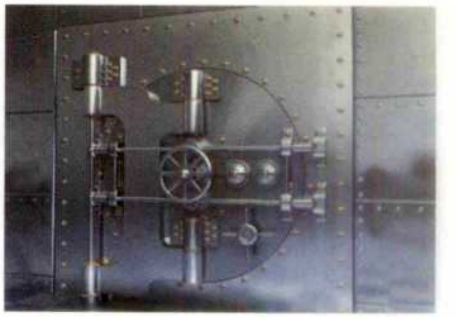

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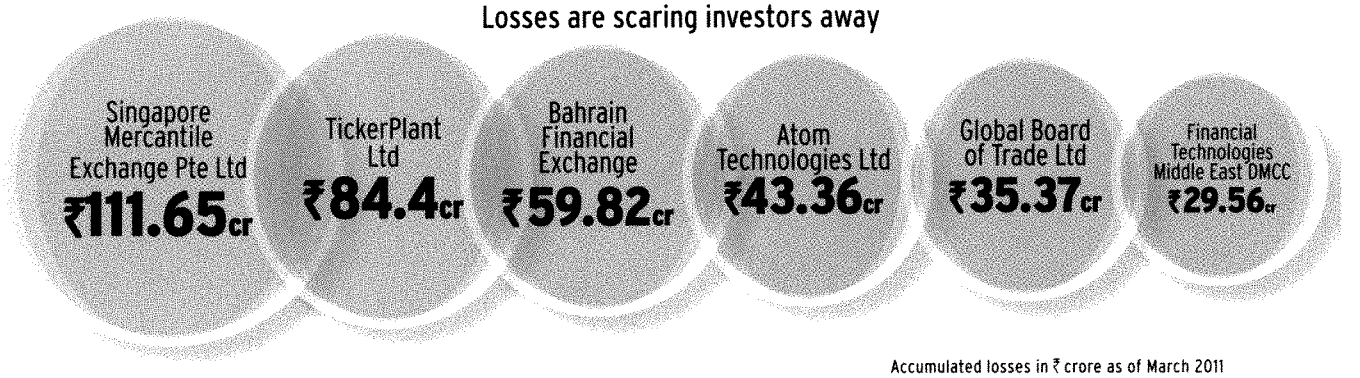
IN A SPOT

Losses are scaring investors away



Accumulated losses in ₹ crore as of March 2011

Agricultural Cooperative Marketing Federation of India was aimed at farm produce but turnover is low in agricultural commodities. Instead, investment products built around gold, silver, copper and zinc are finding takers though daily turnover is just around ₹1,000 crore.

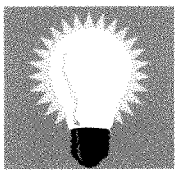
● Indian Energy Exchange: IEX, India's first electricity exchange, holds some promise but with a total income of ₹70 crore and profits of ₹34 crore in 2011/12, it is yet to scale up.

Shah has agreed that several of these ventures were ahead of their time, but has defended the strategy. It helps "in terms of your preparedness to scale up when the market actually opens up or realises the potential," he has told investors.

MCX-SX Next?

Until July 10, MCX-SX could deal only in currency futures and volumes – around ₹13,000 crore daily – have been at a trickle. The SEBI approval for trading in equities, equity future and options (F&Os), interest rate futures, and debt instruments does away with that restriction. When MCX-SX launches its new products, the financial landscape could change. And, Shah's life.

For a sense of potential, the feisty Shah – he has been fighting a case over a leased beach house in Mumbai for years because he believes the landlord got greedy after Shah splurged on refurbishing it – just needs to turn to NSE's financials. NSE records an average daily turnover of around ₹1.5 trillion (one trillion equals 100,000 crore) in equities, equity F&Os, and currency trading. "The equity segment is by far the largest and most profitable segment of the Indian exchanges industry," says Nikhil Vora, Managing Director of Mumbai brokerage IDFC Securities Ltd. "I see MCX-SX's entry into equities as offering huge growth potential."



INDIAN ENERGY EXCHANGE

Four-year-old exchange, historic because it is the country's first electricity exchange

CHALLENGE Its future depends on investment in the power sector, the resolution of issues such as the coal shortage, and improvement in the performance of the state electricity boards

Even discounting for Vora's optimism, history favours MCX-SX's case. In the early 1990s, a technology-enabled NSE displaced BSE in no time. If another exchange – with superior technology, innovative products and lower membership and transaction fees – comes along, it could change rules of the game again. Today, NSE controls over 80 per cent of the cash market in stock trading, and rules the fief in equity derivatives. "The monopoly of a single player is strictly unwarranted. MCX-SX will only raise the standards for the existing two," says Ashok Kumar, Managing Director, Lotus Knowlwealth, a wealth management firm.

Experts say that there are two big weaknesses in Indian equity markets: lack of products and shallow market depth. MCX-SX has headroom for innovation around products. However, not only will it need the regulator's approval, but the product could be copied by competitors. Pricing, then, will be the only edge for MCX-SX. Says Joseph Massey, Managing Director and CEO: "As a new entrant we would bring in the latest technology with less legacy costs the benefit of which can be passed on to the market participants." MCX-SX has also said small and medium businesses will be a focus area.

The spread of the equity culture is hampered by high entry costs for brokers at Indian bourses. For instance, membership fees to register as a stock broker with NSE are ₹75 lakh for individuals and ₹1.5 crore for corporate, for trade in equity and equity derivatives. NSE has a vast network of sub-

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brokers in small cities but over 80 per cent of its cash trading turnover comes from five cities (Mumbai, Delhi, Kolkata, Ahmedabad and Chennai). "If a new exchange can slash membership fees, a large amount of money can be mobilised from small towns," says Vinod Jain, Chairman, Committee on Financial Markets, Institute of Chartered Accountants of India. The potential is there – non-metros account for 60 per cent of overall savings in the country.

Regulator's Frown

Soon after assuming the role of SEBI Chairman in February 2011, U.K. Sinha expressed concerns about the lack of competition in the exchanges business, which many interpreted as the regulator's discomfort with NSE's dominant position. "NSE's operating margins are higher than many international exchanges due to its transaction costs being on a higher side," says Ashok Banerjee, Professor (Finance & Control) at Indian Institute of Management, Calcutta. The exchange made net profit margins of 46 per cent in 2010/11, the last year for which data is available. A McKinsey & Company study in 2010 – *Capital Markets 2020: Going for 3X* – noted that costs per trade were significantly higher in India than in developed markets.

When asked about this, all that an NSE spokesperson would say was: "We wish MCX-SX good luck. We are always ready for any kind of competition."

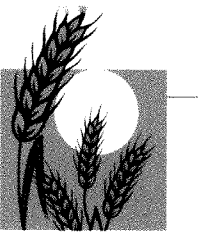
On the credentials front, the FTIL Group has shown its mettle, despite worries in the finance ministry's capital markets division about how safe it is to grant entry into full-fledged equities trading to a private entity that already controls more than a quarter of all assets (equity, equity derivatives, currency derivative, commodities and interest rate futures) traded on exchanges in India. Of the total turnover of ₹542.89 trillion transacted on Indian bourses across asset classes in 2010/11, Shah-controlled exchanges accounted for ₹40.35 trillion or over 25.85 per cent. Data for 2011/12 is not complete.

There are also loud whispers that circular trading – a small group of brokers selling to and buying from each other – has propped up volumes at MCX in the past. But, no one can deny the fact that MCX has built an amazing 86 per cent market share. MCX-SX's currency futures segment turnover is neck-and-neck with NSE's currency trading platform. And, despite his setbacks, Shah has shown that he doesn't shy away from risk when it comes to expanding his business. Examples besides those named earlier are Singapore Mercantile Exchange, Bahrain Financial Exchange, Global Board of Trade in Mauritius, and Bourse Africa Ltd in Botswana. Rashesh Shah, Chairman and CEO of Edelweiss Group, who has known Shah for 14 years, says Shah can be laser-sharp in his objective. "Apart from the vision, you also need a good team. He gets the execution done very well."

Not all experts are comfortable with the idea of another exchange, even if it is promoted by a group with a track record of generating robust volumes. Says Raamdeo Agrawal, Joint Managing Director at broking firm Motilal Oswal Financial Services: "In the exchange business, volumes attract more volumes and the market leadership itself can be the biggest strength of an exchange and vice versa." Then, as others point out, an entrant in today's bear market will find it tough to gain traction.

Still, for anyone interested in how the coming months will pan out with MCX-SX padding up for action, a billboard at the entry of Bandra Kurla Complex, a financial district in suburban Mumbai, has a story to tell. It is among the most expensive billboards in Mumbai and has been leased to one of the FTIL group companies for about seven years now; every year, Shah's companies win it in lease auctions. Shah often boasts to his friends that he leased it at a time when he couldn't afford an office in the complex but MCX was taking arch-rival National Commodity and Derivatives Exchange, which was backed by big financial institutions and banks, head on. For a year now, Shah has moved into a plush office in the complex and takes pride that everyone – including NSE Managing Director Ravi Narain – driving to work in the neighbourhood gets the message that MCX and Jignesh Shah are for real. ◆

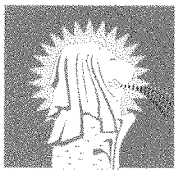
ADDITIONAL REPORTING BY RAJIV BHUVA



NBHC

Seven-year-old collateral management company offering a network of warehouses to farmers, traders and manufacturers with bank loan facility

CHALLENGE To set up its own warehouses, attract small farmers and tie up with banks in semi-urban and rural areas to facilitate warehousing receipt financing



SINGAPORE MERCANTILE EXCHANGE

Two-year-old pan-India multi-commodity and currency exchange based in Singapore

CHALLENGE Singapore, being a global financial centre, has major players dealing on well established bourses

STRIKING GOLD

India's leading commodities exchange, MCX, has achieved much in a short span. But it also faces challenges.

By RAJIV BHUVA

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Perhaps a more apt name for the Multi Commodity Exchange of India (MCX), based on its record so far, would be 'Precious Commodities Index'. Though it deals in many metals, both precious and base, a number of agricultural products as well as energy related products like oil, most of its traded value comes from just two precious metals – gold and silver. The dependence has increased over the years: the two metals accounted for 49 per cent of the MCX's turnover in 2007 which rose to 63.7 per cent by 2011.

Overall, MCX – financial whiz Jignesh Shah's crowning achievement – which got regulatory approval from the Securities and Exchange Board of India in September 2003, has been a great success. Its market share has risen steadily, touching 86 per cent in 2011/12. Its nearest rival, the National Commodity and Derivatives Exchange, has barely 10 per cent. MCX accounts for 98.5 per cent of the silver trade in the country and 97.1 per cent of the gold trade, making it also the biggest gold and silver exchange in the world. Its initial public offering, in late-February this year, was oversubscribed 54 times, and raised ₹663 crore from the sale of 6.43 million shares.

What explains its success? MCX's efforts to provide more flexibility to its trading members, by adopting improved technology and focusing constantly on innovation, is a key factor. "MCX's flexibility and its willingness to handhold members in the early years when it began made all the difference," says Krishna Kumar Nathani, Managing Director and CEO of Chennai-based IndiaBullion.com, a web-based bullion and foreign exchange advisory service. In those days traders at other exchanges were often unable to grab money making opportunities because of a shortfall in the margin money held by their brokers. MCX showed that an exchange's response time could be much shorter: one phone call from the trader, once the additional margin money had been remit-

MAIN CHALLENGES

Earnings depend on the highly volatile global commodites market

The dominance of speculators raises questions about how stable MCX's revenue stream is

If the government imposes a commodity transaction tax, many players may move out

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Its excessive dependence on gold and silver trading could boomerang

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"This is an extremely unfortunate phase where the country is over-regulated and clearances for projects take years"

NAVIN RAHEJA
MD, Raheja Group

hiring – 53 per cent respondents expect recruitment to slow down in the July to September quarter. For a closer look at the hiring outlook of Corporate India (see *Room in the Middle* on page 109).

"This is an extremely unfortunate phase where the country is over-regulated and clearances for projects take years," says Navin Raheja, Managing Director of real estate developer Raheja Group, blaming a policy paralysis for the negative sentiment.

Raheja says demand would have been better if the cost of raw materials had not doubled in the last three years. "Cement, steel and labour now cost 50 per cent more than what they did three years ago," he says.

High interest rates, delays in approvals, and uncertainty over land acquisition policies are further hurting demand in real estate, and overall business sentiment as well.

Harsh Pati Singhania, Managing Director of JK Paper, and President of the Federation of Indian Chambers of Commerce and Industry (FICCI), says it takes much more time now than before to start a business. "The latest draft of the land acquisition bill will make it impossible to get land for large projects. For a cement plant, the land acquisition process takes over a year," he says.

More than 80 per cent of the executives polled did not expect demand to pick up in the July to September quarter. Nearly 45 per cent respondents said they expected the overall economic situation to worsen.

"Going back to nine to 9.5 per cent growth rate is not possible in the short term," says CRISIL's Joshi.

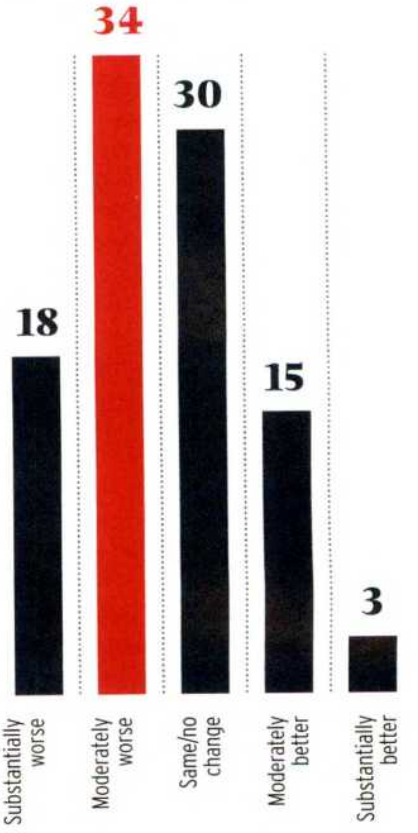
Some are, however, a little more optimistic. Nearly 60 per cent respondents do not see a change in production levels over the July to September period, suggesting that, while outlook may be gloomy, business conditions are not alarming.

For consumer goods maker Marico Ltd, the impact of a slowing economic environment has "not been significant so far," says its Chief Financial Officer Milind Sarwate. "Usually in times of economic downturn we do not see a direct fall in demand, but deceleration in growth and downtrading," he says. 'Downtrading' is a trade term for the phenomenon of customers switching to cheaper products.

Yet even a gloomy outlook can be an opportunity for some. Cycle Pure Agarbathies, India's largest incense stick maker, says the increasing demand for its product is compensating for higher input costs. "In the past one year, operational costs have increased 30 per cent – wages alone have gone up by a quarter. While these have hurt us, the market for agarbattis is expanding," says Arjun Ranga, Managing Director, Cycle Pure Group exports incense sticks to 60 countries.

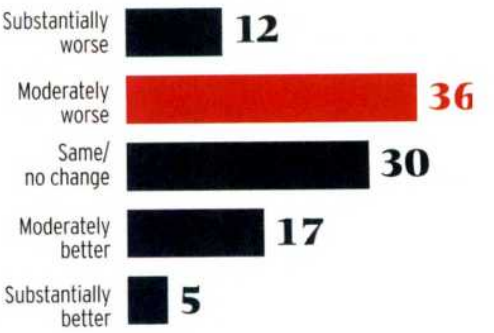
GLOOM ALL

Economic conditions in April-June quarter*



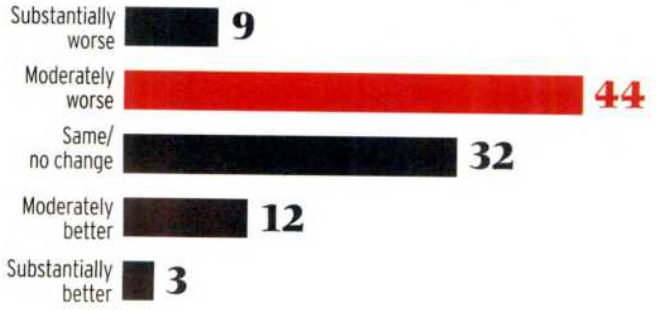
ROUGHER

Prospects of business in the next quarter, July-Sept**

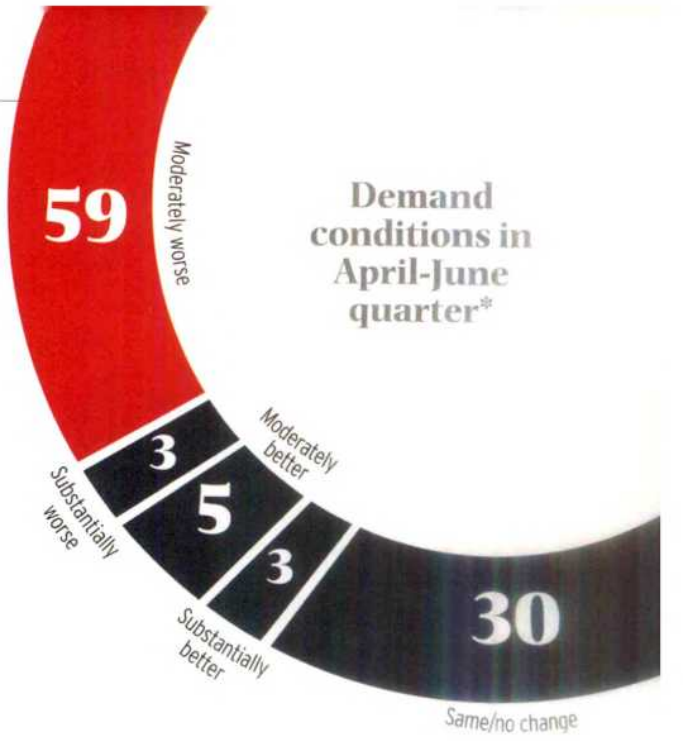


AROUND

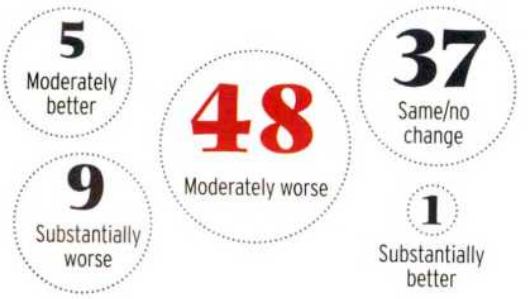
Profit margins in April-June quarter*



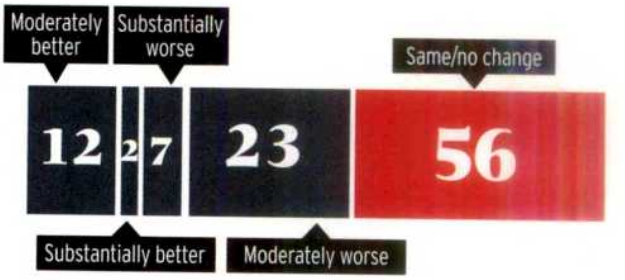
Demand conditions in April-June quarter*



Hiring conditions in April-June quarter*



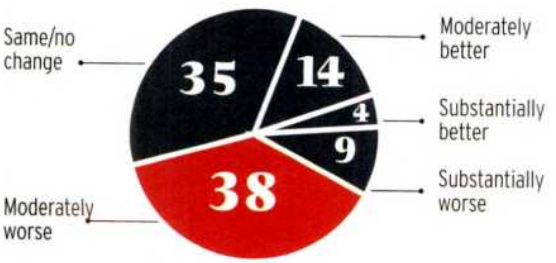
Availability of finance in April-June quarter*



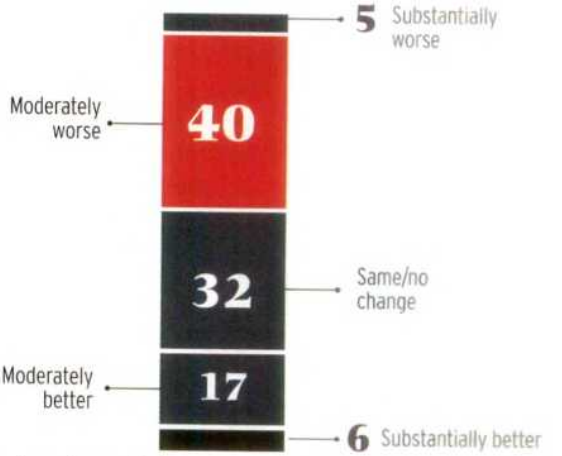
Figures are percentage of respondents, *In comparison with Jan-March quarter

ROAD AHEAD

Business situation in July-Sept quarter**



Economic situation in July-Sept quarter**



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"The latest draft of the land acquisition bill will make it impossible to get land for large projects. For a cement plant, the land acquisition process takes over a year"

HARSH PATI SINGHANIA
MD, JK Paper; President, FICCI

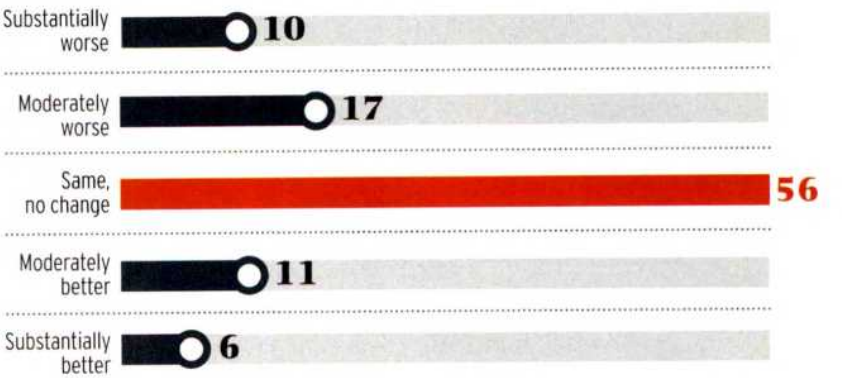
Overall, businesses want a host of policy initiatives such as implementation of the Goods and Services Tax (GST), opening up the multibrand retail sector for foreign investment, putting infrastructure projects on a fast track, and cutting interest rates.

They are also keenly watching which way the monsoon winds will blow. So far the rains this year have been well below normal (see *Who's Afraid of Dry Days?* on page 54). A poor monsoon could further exacerbate inflation and aggravate the stagflation-like situation. "Production could take a hit if domestic demand moderates on account of factors such as a weak monsoon and further increase in prices of food products," says CII Director General Chandrajit Banerjee. But will everything be the same when it starts to rain? ◆

WITH INPUTS FROM
K.R. BALASUBRAMANYAM

Send your comments to editor.bt@intoday.com

Order book outlook in July-Sept quarter**



Estimated requirement of working capital in July-Sept quarter**

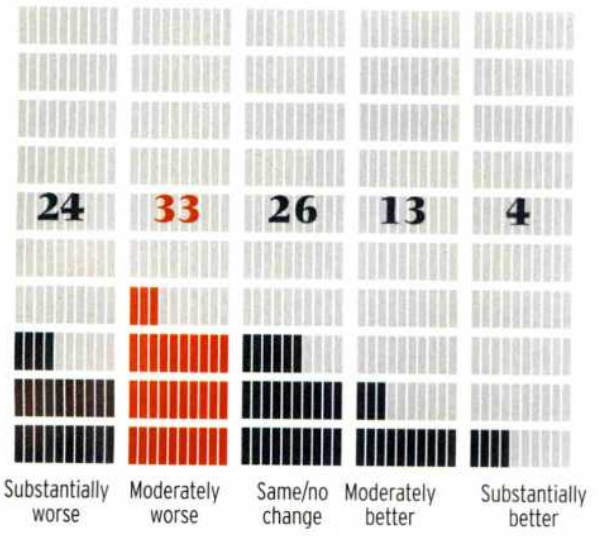
Availability of finance in July-Sept quarter**

Cost of external finance in July-Sept quarter**

Cost of raw material in July-Sept quarter**

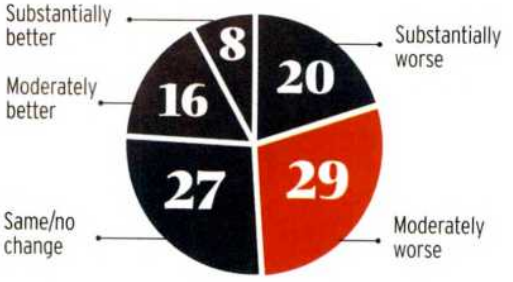
Figures are percentage of respondents, **In comparison with April-June quarter

Profit outlook in July-Sept quarter**



RBI's decision to maintain status quo on interest rate in July-Sept quarter will make conditions**

Selling prices in July-Sept quarter**



Hiring in July-Sept quarter**

Substantially worse	12
Moderately worse	59
Same/no change	27
Moderately better	2
Substantially better	0

Figures are percentage of respondents, **In comparison with April-June quarter

METHODOLOGY

Market research agency *C fore* conducted the survey for the April to June quarter. The field work was carried out in the month of June. A structured questionnaire was administered to CEOs/CFOs of companies. In all, 500 CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities – Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneswar. The companies were segmented based on their turnover as well as products. Those with a turnover of over ₹500 crore have been termed as big, those between ₹100 crore and ₹500 crore as medium, those with less than ₹100 crore as small and those with less than ₹5 crore as micro businesses.

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Documents required

- Passport size photograph
- Proof of residence
- Proof of identity
- PAN card or IT Declaration (Form 60/61)
- Documents such as passport, driving license, PAN card, election i-card, defence i-card, etc accepted as proof of identity / residence.

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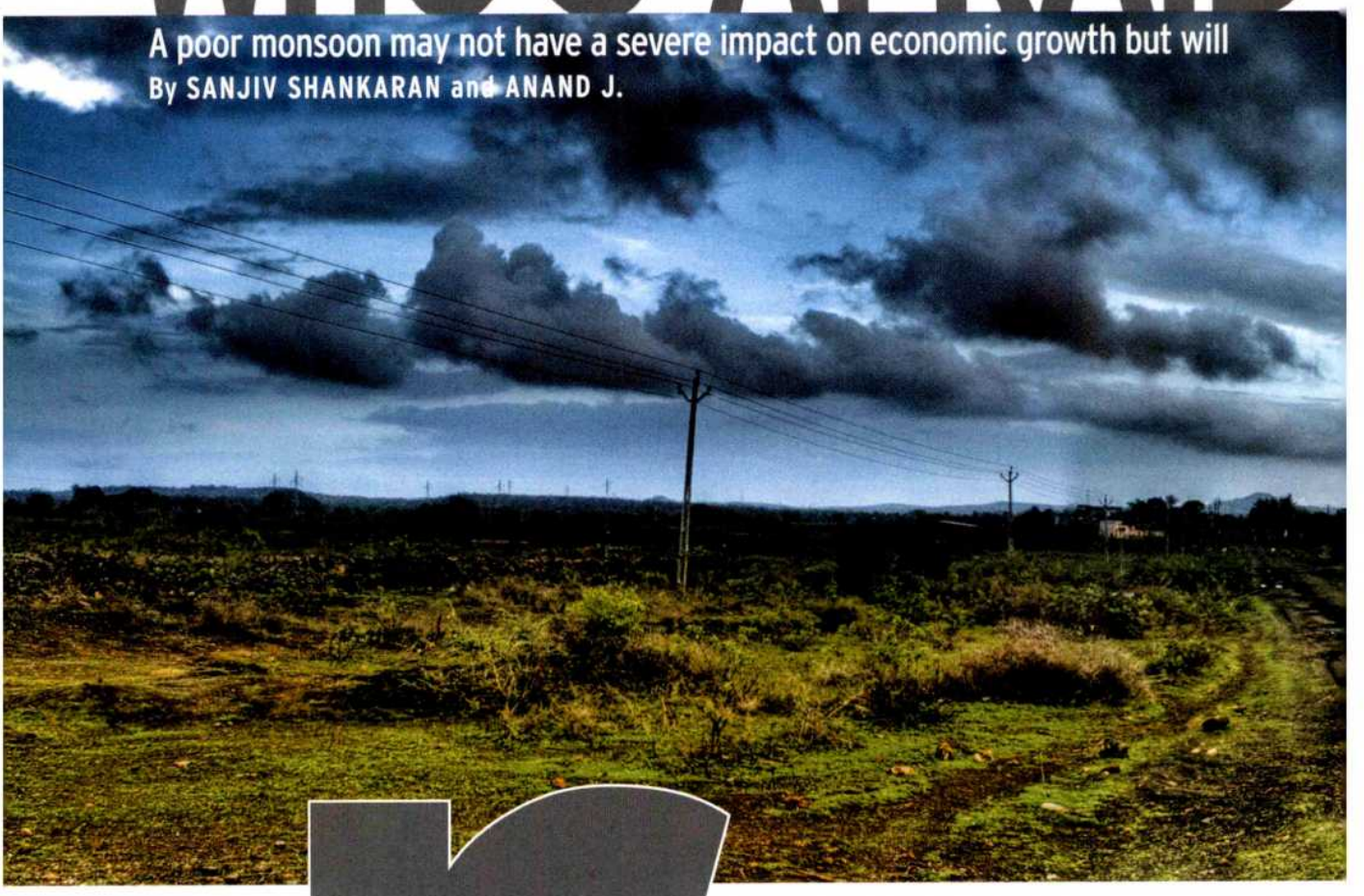
WHO'S AFRAID

A poor monsoon may not have a severe impact on economic growth but will

By SANJIV SHANKARAN and ANAND J.



PHOTOGRAPH BY ADITYA KAPOOR

Rajiv Agarwal's job would be the envy of most journalists. It is likely that his work gets read by Prime Minister Manmohan Singh everyday. Indeed, sifting through Agarwal's reports is probably high on the priority list of Singh and his staff.

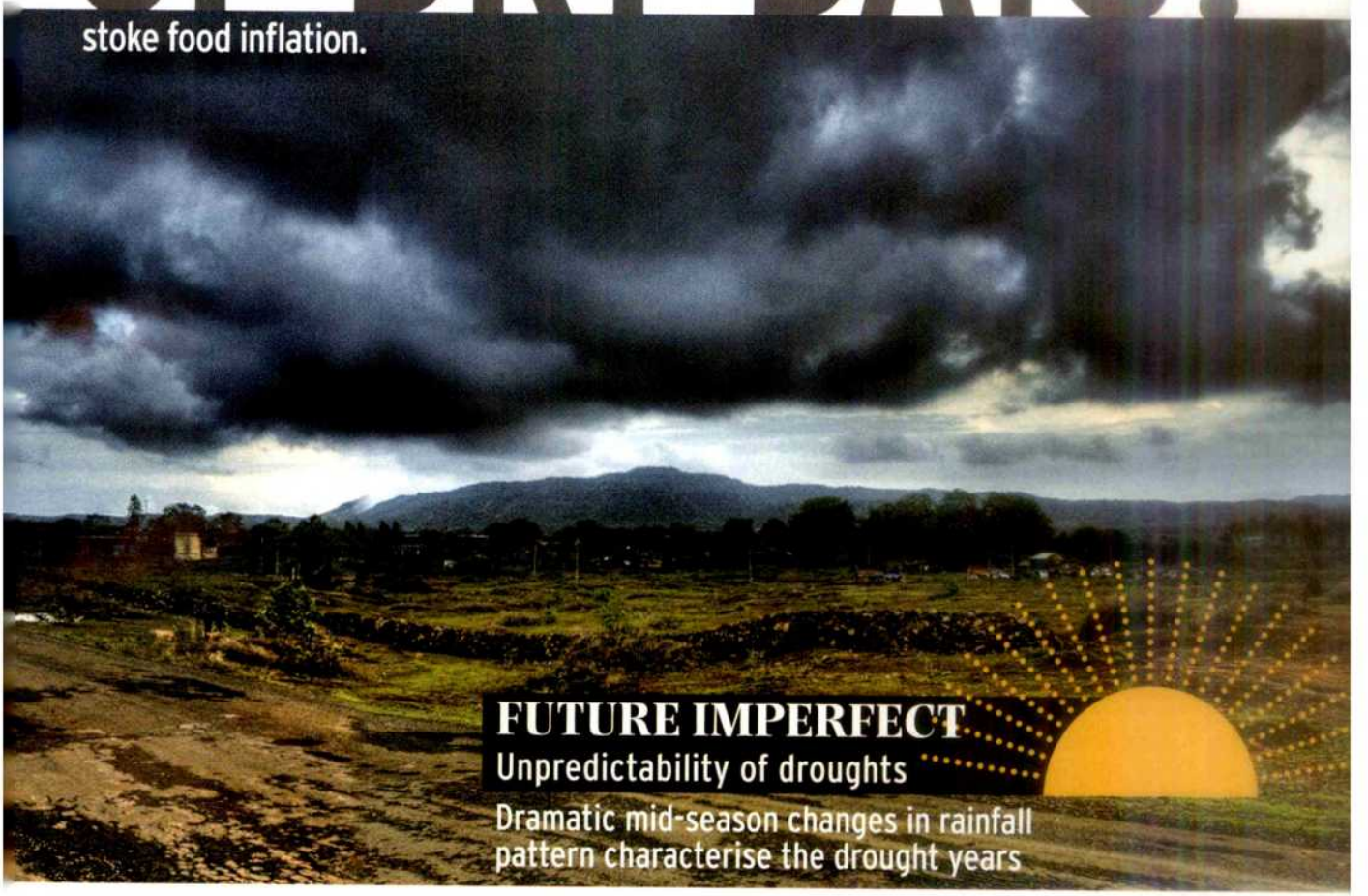
Agarwal is secretary at the union government's Department of Consumer Affairs and compiles a report that tracks retail prices of 23 essential commodities, including some vegetables, across 50 locations in India. By 5 pm, Agarwal sends his report to Singh, making it almost a real time assessment of food inflation for the Prime Minister.

It is not hard to fathom the close scrutiny of the food inflation data by policy wonks. With mounting concerns over the tardy progress of the South-West monsoon in India, Singh and his team remain worried about its impact on the economy, given the high food inflation in the country. Poor rainfall hurts agriculture, stokes inflationary expectations and may end up hurting growth.

The monsoon in June was 29 per cent below its 50-year average for the month, or the Long Period Average (LPA), which is used to measure adequacy of rainfall. It has raised the spectre of drought because the monsoon contributes about 76 per cent of India's annual rainfall between June and September. In fact, in only

OF DRY DAYS?

stoke food inflation.



FUTURE IMPERFECT

Unpredictability of droughts

Dramatic mid-season changes in rainfall pattern characterise the drought years

YEAR	JUNE	JULY	KHARIF SEASON
1972	-26	-28	-23
1974	-24	-1	-9
1979	-19	-8	-16
1982	-19	-22	-15
1985	-6	-6	-8
1987	-19	-23	-13
2002	6	-51	-19
2009	-47	-4	-22

Rainfall in millimetre
Note: July rainfall has the biggest impact on the *Kharif* agriculture season
Source: Agriculture Ministry

two of the 12 drought years in India since 1947 has the June rainfall been less than this year.

Agarwal says he cannot discern a clear trend from retail prices yet. Prices of coarse cereals are increasing. But it could be because the government announced higher support prices for them before the monsoon set in, according to him. Agarwal, then, sees a mixed picture with no clear emerging trend.

CHANGING ECONOMY

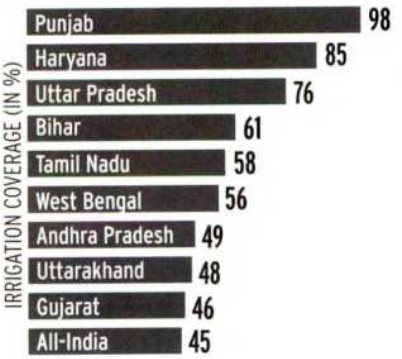
The full impact of inadequate rainfall will only be visible over the next few

"I have been told that rain in July and August will be good"

Sharad Pawar, Agriculture Minister

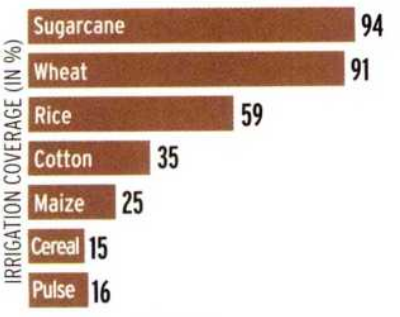
WELL PROTECTED

Paddy-surplus states are highly irrigated



REASON TO WORRY

Coarse cereals and pulses stay exposed to monsoon's vagaries



Figures as of March 31, 2009
Source: Agriculture Ministry

months but analysts are already pointing out that the monsoon's importance has diminished. With industry and services emerging as prime drivers of growth, the economy is increasingly becoming drought-resistant.

In any given year, about 16 per cent of India's total area is drought-prone, impacting some 50 million people. But with agriculture making up only 15 per cent of the gross domestic product (GDP), compared with 55 per cent five decades ago, monsoon's impact on the economy is now limited.

"A poor monsoon would impact prices more than growth," wrote Citi Investment economist, Rohini Malkani, on June 22.

Yoginder K. Alagh, former member of the Planning Commission, who was also the power minister in the 1990s, believes that deficient rainfall in June can have an impact of "not more than a quarter or half a per cent of growth in agricultural output".

And it is not just that agriculture's contribution to economic activity has declined – a season's rainfall no longer has a big impact even on agriculture. Improving irrigation coverage is an important reason for partially insulating farmers in large parts of India from the vagaries of the monsoon (see *Well Protected*).

About 45 per cent of the cultivated area is irrigated now, almost twice the coverage in 1970-71, the early years of the Green Revolution.

It has meant that farmers have some kind of insurance against the unpredictable nature of the South-West monsoon. Consider this. In two of the last 10 years – 2002 and 2009 – a national drought was declared by the agriculture ministry. It is also within the domain of states to declare a drought, given the federal administrative set-up and varying agro-climatic conditions. In 2009, 14 states declared drought, covering 338 districts in all. That year, June's rainfall fell 47 per cent short of the normal.

There's another reason why it is too early to press the panic button – the crucial month for agriculture is July. "I have been told that rain in July and August will be good," Agriculture Minister Sharad Pawar said recently adding that the situation was not that serious.

COMBATING INFLATION

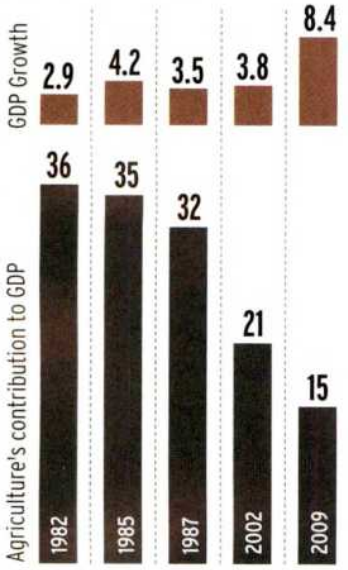
Inflation though remains a bugbear for the UPA government. Even before the onset of the South-West monsoon, surging food inflation had the central bank worried. In 2012, food prices have seen a relentless increase. Food inflation, as measured by the wholesale price index (WPI), was 10.74 per cent in May, compared with a negative 0.68 per cent in January.

Deficient rainfall in June may put pressure on prices and is bound to make macroeconomic management tougher and squeeze household budgets.

"We have started to build in some inflationary impact of poor rain in June into our model," says Samiran Chakraborty, Regional Head of

CHANGING INDIA

Agriculture's shrinking contribution to GDP has made the economy drought-resistant



Figures in per cent
Note: The years cited above are officially classified as drought years
Source: Agriculture Ministry, CSO, RBI

Research, South Asia, Standard Chartered Bank, in a report.

Chakraborty and his team estimate that a delay in monsoon is likely to add 60 to 70 basis points (a basis point is one-hundredth of a percentage point) to inflation. Standard Chartered has raised its average inflation forecast for 2012/13 to 7.6 per cent from 7.2 per cent. WPI inflation stood at 7.55 per cent in May.

Alagh echoes these views on inflation but argues that it is necessary to understand recent changes in food habits as well as agriculture to comprehend the impact of the monsoon on inflation.

"Grain is not the big problem," Alagh says, referring to rice and wheat. The Indian government after all is sitting on a mountain of grain. Literally.

Paddy is the most important crop grown during the kharif season from

'The Boy', 'The Girl' and The Rain

The word "Monsoon" has originated from the Arabic word "Mausim" which means season. The monsoon effect is the result of differential heating of the land and the sea.

During the summer months the Indian subcontinent warms faster than the sea. Consequently, the hot air over the landmass tends to rise creating an area of low pressure. This results in moisture laden wind blowing from the southern Indian Ocean (high pressure) towards the land (low pressure).

The wind divides into the Arabian Sea and the Bay of Bengal streams after reaching the southern tip of the subcontinent bringing rain in the summer months of June, July and August.

Despite the simple explanation for the monsoon, it is difficult to predict and the intermittent dry spells keep farmers on tenterhooks. The monsoon is influenced by numerous factors. Broadly the Indian Meteorological Department (IMD) predicts monsoon on the basis of five macro and ten micro level parameters.

These parameters track the temperature and pressure conditions in other parts of the world. Any change in the land or ocean temperature and pressure globally will have a ripple effect across the world and affect wind patterns. These disturbances can result in monsoon delays.

For instance, two parameters used are the North Atlantic and the Equatorial South Indian Ocean surface temperatures. Another parameter is El Nino, which is the measure of South East Pacific ocean temperature. Many of these regions are exactly on the opposite side of India on the globe, which gives us an idea of the complexity involved in making an assessment of the course of the monsoon.

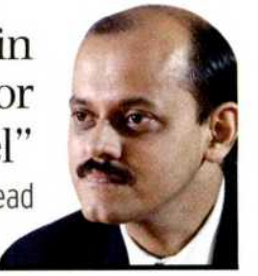
ILLUSTRATION BY SANTOSH

El Nino, a Spanish term that means "the boy", captures the abnormal warming of sea surface water near the Peru coast (the tropical western coast of South America) which affects the wind pattern. This could have an impact on the pressure and temperature pattern across the southern seas which impact the South-Western monsoon winds that bring rain to the sub-continent. El Nino was very weak this year and it has had little impact.

And then there is La Nina. A Spanish term that means "the girl", it indicates the temperature of surface water in the Pacific Ocean. It is also related to the wind patterns in the South Pacific Ocean and is supposed to aid an above average precipitation in the Indian subcontinent.

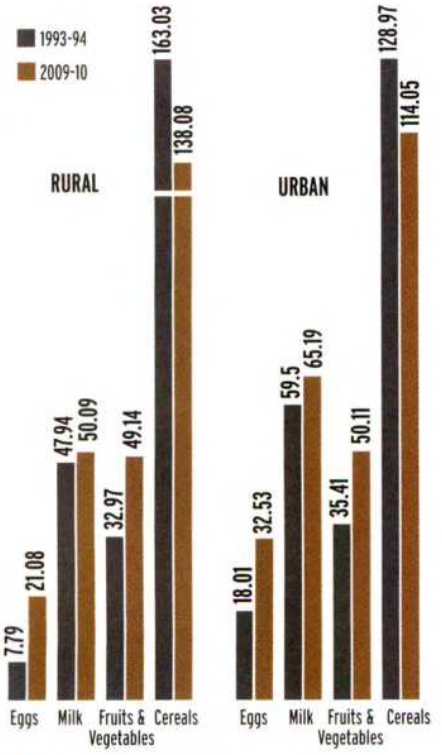
"We have started to build in some inflationary impact of poor rain in June into our model"

Samiran Chakraborty, Regional Head Research, StanChart Bank



PAY THE PRICE

Changing food habits could stoke inflation



Source: Agriculture Ministry

June to September. In May, the union government's stock of rice stood at 32.9 million tonnes, more than twice the recommended buffer. Thus, even a disappointing rice harvest has a slim chance of sending prices through the roof. To rule out the possibility of an increase in prices, the union government announced in July that it was going to allocate 3.07 million tonnes of rice to states for people below the poverty line.

Even grain traders are unlikely to start hoarding rice in anticipation of prices firming up. "Traders cannot take on Food Corporation of India," says Alagh.

Over the last two decades, though, India's food habits have changed with rising incomes. Consumption of cereals such as wheat and rice has declined. Simultaneously, consumption of food rich in protein such as eggs, fish and milk has risen (see *Pay the Price*). Only pulses, an important source of protein, has bucked the trend and seen a decline in consumption.

Madan Sabnavis, Chief Economist, Credit Analysis and Research, says traders' would never bet against the huge stocks with FCI, which are primarily wheat and rice. However, they could hoard coarse cereals and pulses putting pressure on prices.

India's consumption of coarse cereals has declined over the past two decades. However, their importance has not declined in the food basket. Instead of being directly consumed, they have begun to be used as animal feed. A rise in prices of coarse cereals, then, will eventually show up in inflation of protein rich food such as eggs and milk.

There could be another fallout of inadequate rainfall this season. Almost 60 per cent of the population depends wholly or partially on agriculture for its livelihood and cannot remain insulated from a shock to the sector. And falling incomes tend to have an adverse impact on the composition of the food basket. "Delayed monsoon could lead to shifts in cropping patterns. There could be distortions. We need to see what kind of shift in area under cultivation has taken place," Sabnavis says.

Scanty rainfall in June has already affected the sowing of coarse cereals, particularly maize, bajra and jowar, according to Pawar. Typically, these crops are grown in rain-fed regions with little access to irrigation. In the first week of July, sowing of coarse cereals had declined by more than half of last year's level to 1.04 million hectares. "Income elasticity demand of some crops (pulses, oilseeds) is much higher," says Alagh, explaining consumption is sensitive to income swings.

So, while economic growth has become drought-resistant, most Indians will still feel the pinch. The UPA government, then, will have its hands full with keeping inflation in check over the next few months and shielding its core constituency, the *aam aadmi*, from the impact of a poor monsoon. "The welfare consequences for agriculture and rural population can be high," says Alagh. ◆

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At the Roundtable: Continuing the discussion on "Multi-generational Diversity in the Indian Workplace"

Sharing the "The Pilot Study Findings"

In India, the demographic dividend is offset by concerns about employability of the large work force. This paradox mirrors the scenario in the West after World War II. The only difference is that many young people lost their lives in the war and it was the old, the disabled and the invalid who enabled the reconstruction of the western world.
Today, India has a large number of young people while developed countries like Germany and Japan are grappling with an ageing population. Unless we effectively understand and tap this huge potential, we might miss a significant opportunity to continue on the promised path of growth and development.

Interestingly, the management practices and literature that we have come to depend on have been produced in developed countries, which have seen less than five percent growth in the last 20 years. This begs the question - In a country where firms are growing at 15 to 20 percent, does it make sense to use these references to decide what will work in India?

Professor Vasanthi Srinivasan from IIM Bangalore kickstarted the fourth Roundtable on Multi-generational Diversity in Chennai with the argument that, to effectively handle the current scenario, we need to go back to literature generated during 1945 to 1955 because WW II reconstruction was the last time the West saw the kind of growth that organizations in India are seeing today.

This Roundtable marked a significant milestone in the SHRM India collaborative research project on Multi-generational Diversity in the Indian Workplace. While earlier Roundtables in Bengaluru, Kolkata and Mumbai established the research context and direction, Chennai was the first city in which the Pilot study findings of this project were shared.

The unique diversity in India prompted the need for an alternate framework to define Indian generations based on socio-cultural factors. Professor Vasanthi shared the key findings from the pilot study, conducted in a sample of 294 employees across two organizations in the IT and Infrastructure industries. The pilot study captured the priorities of 36 terminal and instrumental values and the demographic profiles of each participant. The findings indicate that an interplay of various socio-demographic factors impact how generations are characterized in India.

Does age contribute to differences in values?
The value priorities across popular generational categories based on age have been mapped using the collected data. The overlapping graphs in Fig 1 confirm that age does not play a role in the way people prioritize their values.

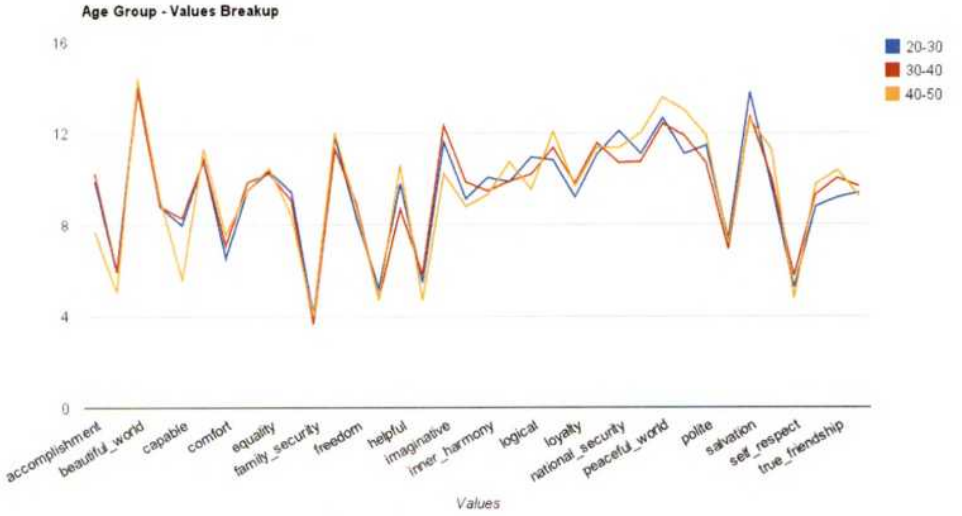


Fig 1

Agreeing on this finding, MC Rangachary, GM –HR, HTC shared that his experience shows, reorienting employees on certain values through proper training programs will help 90 percent of them gain the right perspective, irrespective of their age group.

If not age, what contributes to differences in values?

The pilot study findings saw distinctive clustering of the sample based on the way values were prioritized (Fig 2).

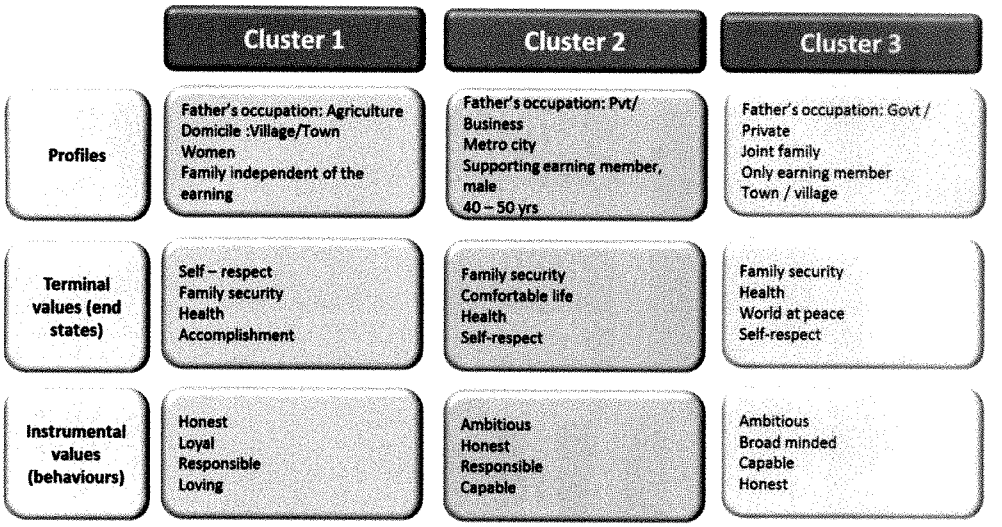


Fig 2

Analysis of the socio-demographic variables across these three clusters exposed significant individual patterns within a cluster. For example, parental occupation, gender, whether the individual belonged to a joint or nuclear family and location seemed to affect the prioritization of values. Interestingly, age, which is the most often used variable to categorize generations, did not emerge as highly significant.

Saundarya Rajesh, Founder – President of AVTAR, who has done pioneering work in defining generations in the Indian context, highlighted the robustness of this study. She added that her research demarcated four cohorts using life stage events and factors like food, music and fashion to characterize a generation. These were - Free gen (1941-1960), Gen X (1960-70), E gen (1970-1980) and Gen Y (>1980). Saundarya said that two aspects - the shift from Bharat to India and helicopter parenting - need to be explored further when talking about generations in India. She further emphasized that the objective of this study should be to explore commonalities while providing answers to the conflicts that already exist.

What brings generations together?

Shrimati, AVP Diversity, HCL, through her experiences from HCL foundation initiative, found that "Community service is an emerging value that brings generations together." She said that while Free gens and Gen X are not that much into community service, the present workforce that consists of Millennials, especially from villages and towns, want to know how to give back to their society.

"Feedback from our recent study on employee engagement was an eye opener for us. Whatever we had, they did not want. They wanted HR to innovate new initiatives every year. I don't know, even a year might be too long going forward," said Hariharan from Capgemini, talking about innovation as a popular need for the present workforce.

A Social Sciences perspective

While talking about generational differences based on the urban or rural background, Dr Sandra Joseph, Head of Department, Social work, Stella Maris College, highlighted the need to look at the hidden class factor. Both she and Jayanthi Peter, who is currently pursuing PHD from Madras School of Social Work, mentioned that as the study is about inclusivity and diversity, there is a marked need to look at class (caste) and gender, which would add a whole new perspective to this research.

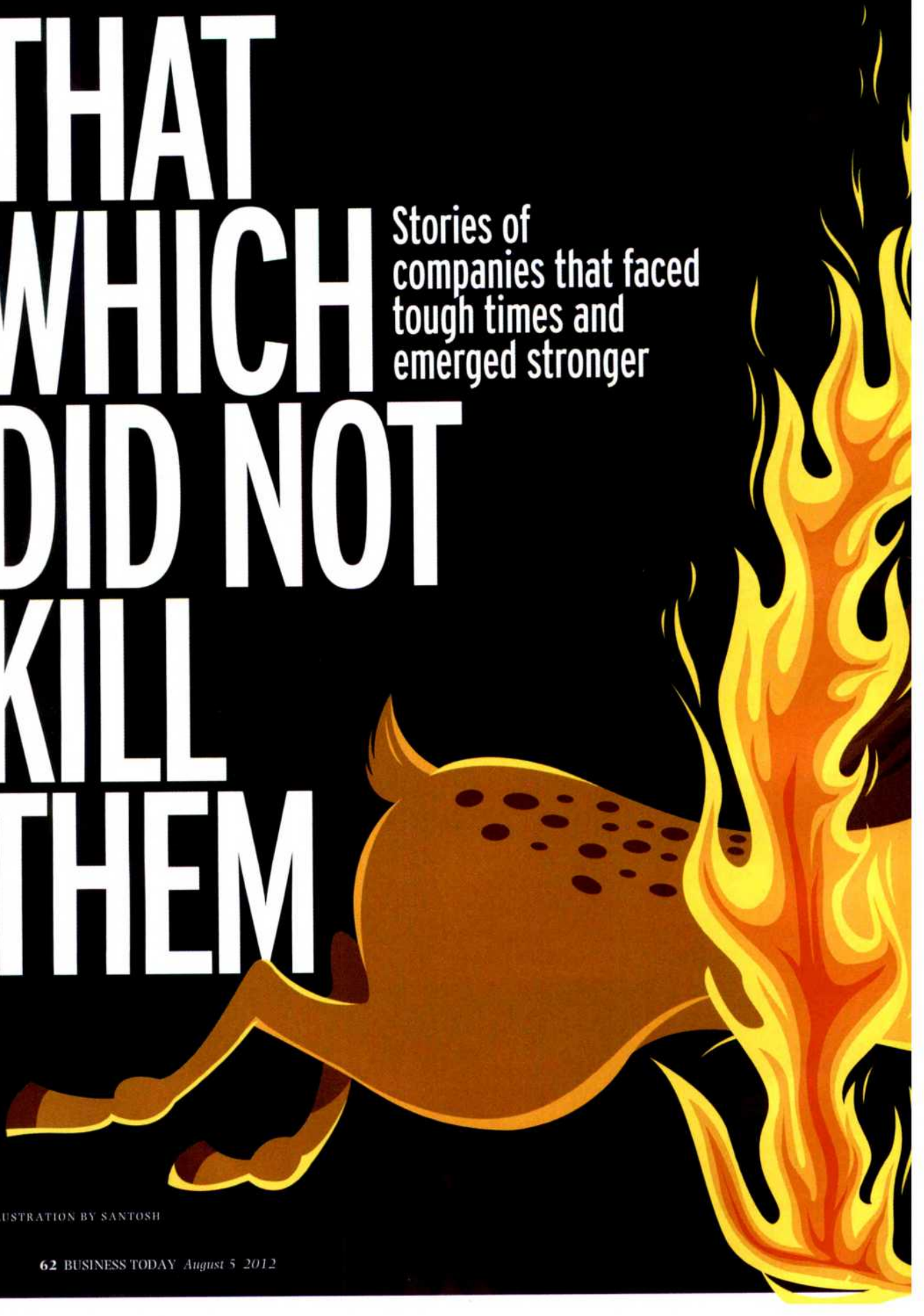
All the participants agreed that this Roundtable was a revelation for them. They could not go back to selling the premise that "one size fits all, especially when it comes to materialistic rewards and common training programs" to their employees.

From the research team

Do write to Dedu.Ajith-John@shrm.org, if you would like to volunteer your organization or participate more actively in the research.

THAT WHICH DID NOT KILL THEM

Stories of companies that faced tough times and emerged stronger



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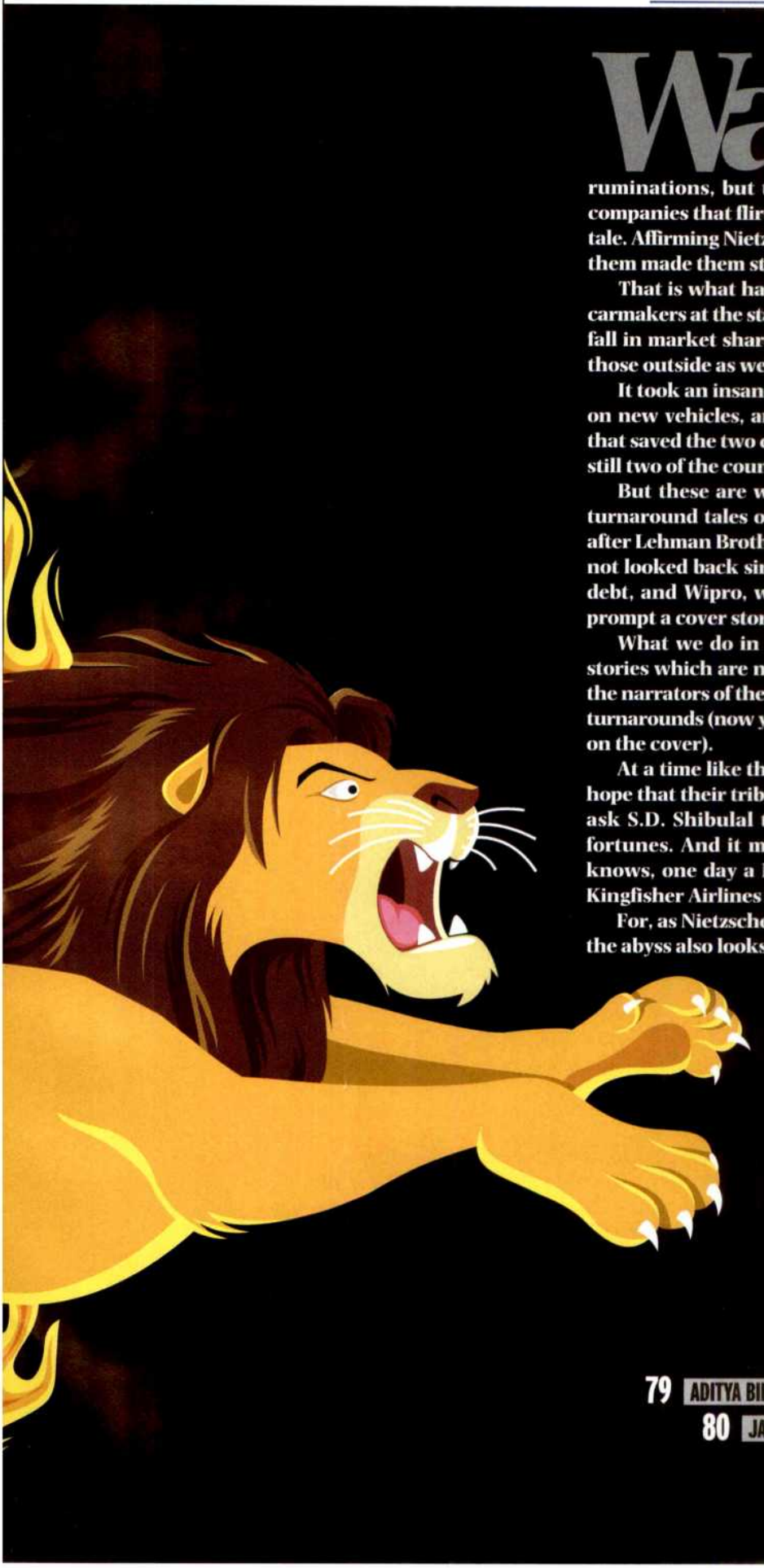

Was Friedrich Nietzsche right?

A trawl through corporate performances is not known to trigger philosophical ruminations, but that is what happens as you study companies that flirted with disaster and lived to tell the tale. Affirming Nietzsche's theory, that which did not kill them made them stronger.

That is what happened to the country's two biggest carmakers at the start of this century. There were losses, fall in market share, and doubt. Doubt in the minds of those outside as well as those who held the reins.

It took an insane amount of cost cutting, a brave bet on new vehicles, and audacious forays into new areas that saved the two companies. And look where they are: still two of the country's biggest car makers.

But these are well-documented stories. As are the turnaround tales of ICICI Bank, which was on the mat after Lehman Brothers collapsed, Essar Steel, which has not looked back since lenders agreed to restructure its debt, and Wipro, which has bounced back enough to prompt a cover story in BT in February.

What we do in the 19 pages that follow is look at stories which are not yet part of folklore. What's more, the narrators of these stories are people who steered the turnarounds (now you know what that headline is doing on the cover).

At a time like this, when good news is scarce, we do hope that their tribe will grow. Maybe some day we will ask S.D. Shibulal to tell us how he revived Infosys's fortunes. And it may look improbable now but, who knows, one day a Mallya could be talking about how Kingfisher Airlines flew again.

For, as Nietzsche said, "When you look into an abyss, the abyss also looks into you."

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WHIRLPOOL

WAR AND PEACE

BY ARVIND UPPAL

Ours is a war-time industry. We live by fighting for market share every morning. The battleground changed radically in early 2000 with the entry of many new Asian players, but we did not respond to the new war conditions swiftly enough. These were competitors we were unfamiliar with both here and globally.

I joined this company in early 2005 and realised that morale was low due to the losses being incurred. It is not uncommon in such situations to find people intent on doing good running at cross-purposes. That leads to counter productive situations – not unlike what is happening in our economy.

I realised that morale was the first thing that needed to be addressed. Get everyone on the same page and boost morale to create a winning team. My team needed to know that it was not wrong in its thinking, but the company had to pull together towards a common goal.

I had to weed out irrelevant distraction such as how many categories our competitors were operating in. I had to focus on our strengths: our people, who were excellent, and our ability to focus on product innovation. We needed to operate almost like specialists, to offer a wide choice to consumers.

We continue to remain focused on home appliances and are a leading player in refrigerators, washing machines, microwaves and air conditioners. We have entered the water solutions market and also offer high-end kitchen solutions. Our target consumer is the woman. She is an evolved shopper and we realise that money is made in the finer details of innovation.

THE CASE
Competition from new Asian rivals had pushed Whirlpool into the red

THE STRATEGY
Boosted employee morale. Focused on strengths such as people and product innovation

The company, as everyone knows, has turned around and has the best profitability margins in the industry. I believe that you take only one degree turns in war situations as you need to minimise your exposure and risk. Larger turns can happen during peace-time operations.

AS TOLD TO SHAMNI PANDE

Arvind Uppal is President, Asia Pacific, Whirlpool

H.K. RAJASHEKAR

INDIA CEMENTS

BACK FROM THE DEBT

BY N. SRINIVASAN

In the mid-1990s, with a capacity of just 2.6 million tonnes, India Cements risked becoming an also-ran. That set us thinking and we decided to become a large regional player in the South. Between 1997 and 1998 we acquired Visaka Cements and Cement Corporation of India's Yerraguntla unit (both in Andhra Pradesh) through competitive bidding. In June 1998 we took over Raasi Cements (also in AP) through a hostile acquisition. Simultaneously, we also set up a new plant at Dalavoi, Tamil Nadu. In less than two years, our capacity had catapulted to nine million tonnes. The acquisitions cost us ₹1,600 crore and were predominantly funded by debt.

What we did not anticipate was the rush by other cement companies in the region to set up capacities when the government withdrew all sales tax-related incentives. Without these incentives no cement plant was viable at the cement prices prevailing then. Capacity as much as 40 per cent of demand was added. Naturally, this sent prices crashing. At one point a truckload of sand cost more than a truckload of cement in parts of AP. We began

to incur losses and our ability to service the ₹1,750 crore debt in our books suffered.

We defaulted and lenders began harassing us. Such was the condition that we had to curtail production due to lack of working capital. We sold Vishnu Cements, which we acquired along with Raasi Cements, hoping it would ease pressure. But that was not enough. We realised we were in a hole and opted for a corporate debt restructuring (CDR) scheme, which came into effect from January 2003. The CDR bought us time to focus on operations. We shed manpower (about 1,000 employees), cut production costs, sold our ships and some land.

THE CASE

Bought companies with debt. Could not repay when cement prices crashed

THE STRATEGY

Opted for a corporate debt restructuring scheme. Cut costs. Sold some assets. Went in for a GDR issue

Extraordinary situations demand extraordinary measures. So, in September 2005, we made an audacious move, coming out with a Global Depository Receipts issue while still in the CDR scheme. Many warned us that it was an unwise thing to do. Investors would not even look at a company that had defaulted on its debt obligations, they warned. But we went ahead and raised ₹477 crore, which was used to pay off some debt. That was the turning point. Soon cement prices began to improve and this accelerated our revival. In the following years, we raised more funds from the market to fund our growth plans. Today our capacity stands at 15.5 million tonnes and we have expanded to North India as well.

The crisis that set us back by a few years taught me one thing – never expand in a fractured market using debt. When you have no control over prices, your ability to service debt will be impaired.

AS TOLD TO N. MADHAVAN

N. Srinivasan is Vice Chairman & MD, India Cements

DABUR INDIA

BREACHING BORDERS

BY SUNIL DUGGAL

The start of the new millennium, the year 2000, brought new challenges for Dabur. Industry overall witnessed a downturn, with demand hitting a new low, but the fast-moving consumer goods (FMCG) industry was somewhat insulated from the crisis and reported good growth. For Dabur, however, those were trying times.

A decade into liberalisation, the FMCG industry saw competition intensify, with deep-pocketed multinational companies (MNCs) trying every trick in the book to capture market share. The demand for consumer products was rising. But Dabur – despite strong brand recall and trust – was having trouble cashing in. That is when we decided to go for a course correction and implement measures that not only changed how people saw Dabur, but also put the company firmly on the growth track.

A thorough check of our business was undertaken, and the core group decided on a multi-pronged growth strategy. As the first step, we decided to outsource non-core businesses like IT, and to concentrate on making quality consumer products. Simultaneously, we decided to refurbish our product portfolio and enter several emerging and sunrise categories such as skin care, packaged fruit juice and toothpaste.

The packaging of our entire portfolio was refurbished to put it in sync with the needs and aspirations of the 21st century consumer. In addition, we drew up a rapid expansion plan which also included taking the inorganic route to grow

SHEKHAR GHOSH/www.indiatodayimages.com

business. We recognised – much ahead of the competition – that rural India would become a key growth driver. A blueprint was chalked out to target this consumer class and widen our distribution footprint in the hinterland, a move that is paying dividends even today.

While launching new products and upgrading packaging to remain contemporary, I felt it was also time to expand our horizons and took on the MNCs on their home turf and in overseas markets. This was a big game-changer for Dabur. Before 2000, Dabur's overseas business was limited to exporting a limited number of products for the Indian diaspora in select markets. We felt

THE CASE
Despite high demand for consumer products, Dabur was not able to grow

THE STRATEGY
Outsourced non-core businesses. Entered new categories. Targeted rural India. Expanded overseas

there was a larger market beyond the diaspora. If we had to reach those consumers, we would have to be based close to their homes. The small overseas business we had established earlier had given us a good understanding of the consumers in these markets. So we set out to create products specifically for them.

As a first step, we decided to establish a manufacturing facility abroad, rather than ship products from India, as that would make us more nimble in addressing the changing needs of consumers, and provide us a leaner and quicker supply chain. This decision paid off – our products soon became favourites with Arab consumers, and our international business became a strong growth engine for the company, helping it tide over the recession, when it hit the domestic market.

After targeting the West Asian market, we expanded our overseas business further by venturing into sub-Saharan Africa and nearby markets like Turkey. Today, our overseas business accounts for nearly 30 per cent of consolidated turnover. Another measure of our international success is that our premium skin and hair care brand, Vatika, is probably the only Indian FMCG brand to report equal turnover from both Indian and overseas sales. Today, Dabur is viewed by consumers and investors as a true Indian multinational.

The author is CEO, Dabur India

THERMAX

ADVANTAGE OF NOT BEING MACHO

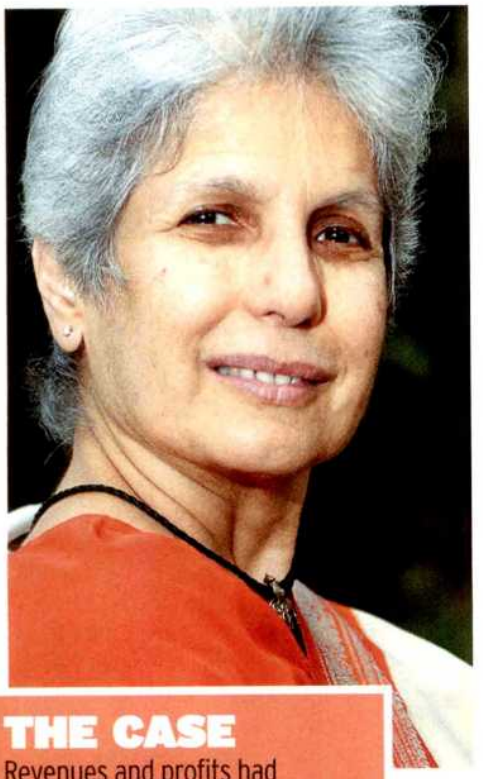
BY ANU AGA

In the late 1990s, Thermax had got used to what the late Sumantra Ghoshal called "satisfactory underperformance". In turning it around, the most difficult and yet the most important move was to change the mindset and the culture of the company. We had to move away from our comfort zone, stop blaming external circumstances for poor performance, and assume full responsibility.

The immediate trigger for the change was an anonymous letter I received from a shareholder blaming me for my inaction. I had thought that poor performance mainly affected me and my family, the majority shareholders. Suddenly, I realised that as a public limited company we had to protect the interests of the 40-odd per cent shareholders who had placed their faith in Thermax.

I was convinced that our management was out of its depth and needed outside help. My senior executives resisted the idea. Most men find it difficult to seek help because I think it comes in the way of their 'macho image'. The board decided to hire a consulting company.

VIVAN MEHRA



THE CASE

Revenues and profits had stagnated in the early 2000s

THE STRATEGY

Restructured Thermax into six core businesses. Brought in professional top management

Our turnaround focused on divesting non-core businesses. We restructured into six core businesses in the areas of energy and environment. By downsizing and improving our operational efficiency, we were able to bring down our employee cost from 16 per cent of turnover to less than 7.5 per cent, on a larger sales base. We also brought in a performance culture.

We reconstituted our board to bring in more independent directors. The promoter members stepped down from executive positions, and operational aspects were left to a non-family professional team led by the managing director.

After achieving a financial turnaround, we set an ambitious growth target. This programme – since then achieved by my successor and team – was based on operational excellence, a streamlined organisational structure, and rekindling innovation in a disciplined and systematic manner.

The author is Director and former Chairperson, Thermax

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TWO CENTURIES.
AND A GREAT DEAL
OF PROGRESS.

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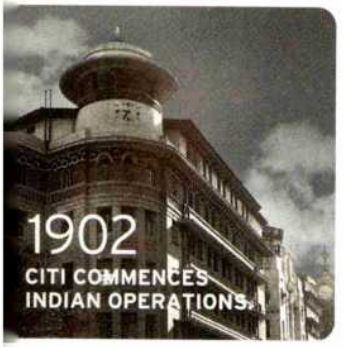

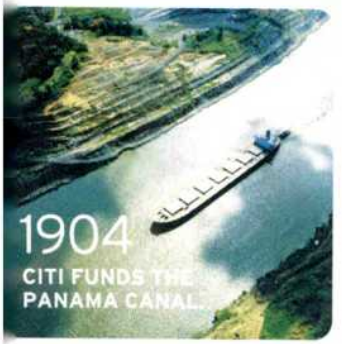

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GOVIND SHRIKHANDE P70

GREAVES COTTON

FLIGHT OF THE PHOENIX

BY SUNIL PAHILAJANI

Ours is a company with a rich heritage of more than 150 years of engineering transformation in India. Greaves has demonstrated perseverance, resilience and the ability to respond to a crisis. One such situation was at the turn of this century, when the business was not in the best of shape. More than half its peak net worth during the four preceding years had been eroded. Interest outgo stood at an all-time high. High production and manpower costs had reduced competitiveness. The company had symptoms of potential sickness. Greaves incurred a loss of ₹92.61 crore in the financial year 2000/01, which was extended for 18 months.

NISHIKANT GAMRE/www.indiatodayimages.com

To overcome the situation, the management decided on a two-pronged restructuring exercise, in terms of business and finance. The business restructuring exercise, which ran through the critical period of 2000 to 2004, had a two-fold objective. The first was to focus on core businesses and exit from non-core ventures (such as the tie-up with SAME Group for tractors and engines), and suspend loss-making units such as Rajasthan Polymers & Resins Ltd and eventually sell them off. The company also sought to liquidate overseas subsidiaries, rationalise them and divest its stake in companies such as Piaggio Vehicles Pvt Ltd. The second part of the objective was to reduce operating expenses.

Financial restructuring was undertaken during the same period. It resulted in enhanced cash flow and a stronger balance sheet. This included monetising a major portion of its shareholding in Crompton Greaves, the sale of surplus real estate, commercial property and non-core investments, and most importantly switching from the strategy of stock push to demand pull. All this reduced receivables by 44 per cent.

In other words, Greaves strengthened profitability through strategic initiatives that were carried out across the organisation. The focus was on engines and applications, and the infrastructure segment where our expertise lay.

Migration from manual systems to automation led to increased efficiency at lower cost. It also enabled us to adopt modern manufacturing practices such as Lean, Total Quality Management and Total Productive Maintenance, which increased productivity. We invested in R&D to meet stringent emission norms, and explored development of futuristic products.

The results of this major exercise were seen in the next few years.

THE CASE

High production and manpower costs pushed it into the red

THE STRATEGY

Focused on core business. Cut costs. Sold surplus assets. Moved from stock push to demand pull

In 2003/04, the operating profit or EBIDTA was ₹87.47 crore and profit after tax was ₹21.73 crore. The interest outgo declined 17.53 per cent, compared to 2002/03.

This transformation was not confined merely to numbers. The way we did business changed. The exercise addressed myriad challenges such as cost reduction, increasing efficiency and improving margins, but all of this could be simplified into one single word: focus. Today Crompton Greaves has transformed itself into a leading ₹1,800 crore, multi-product engineering company. This is largely due to our increased focus.

Greaves has embarked on a journey of profitability and sustained growth. It is eyeing product portfolio expansion and new customer acquisition. The lessons learnt helped it withstand the economic crisis of 2008.

The author is MD & CEO, Greaves Cotton

SHOPPERS STOP

WHEN THE SKY IS FALLING...

BY GOVIND SHRIKHANDE

The slowdown in demand in India came out of the trillion-dollar meltdown in the US and Europe. It gathered momentum over two quarters, with the health scare in Mumbai and Pune, the stock market crash, the Telangana protests in Hyderabad, and then 26/11 in Mumbai. All these shocks came one after the other. IT, exports and banking were hit the worst. Our like-for-like sales growth turned negative in the second half of financial year 2009, and continued to remain so till April-June in financial year 2010.

It was a great test of the industry and its fundamentals. Retail thrives in a growing economy, when incomes are on the rise and consumers have great hopes about the future. When consumer sentiment turns negative due to job losses or a drop in income, spending is either skipped or postponed. When spending is postponed, retail is impacted, especially the clothing and accessory categories. This directly results in a drop in like-for-like sales, impacting profitability and growth. The retail sector saw the death of several players in this period, and a number of others had to re-strategise their formats and balance sheets.

It was a great time for learning. Our board challenged us to create a recession-proof model that could face slowdowns. One of our chief learnings from the slowdown was to never compromise on customer experience. Customers should continue to get your best service and merchandise. Only then will they continue to shop with you. Quite unlike what

THE CASE

The 2008 slowdown hit consumer sentiment, hurting Shoppers Stop

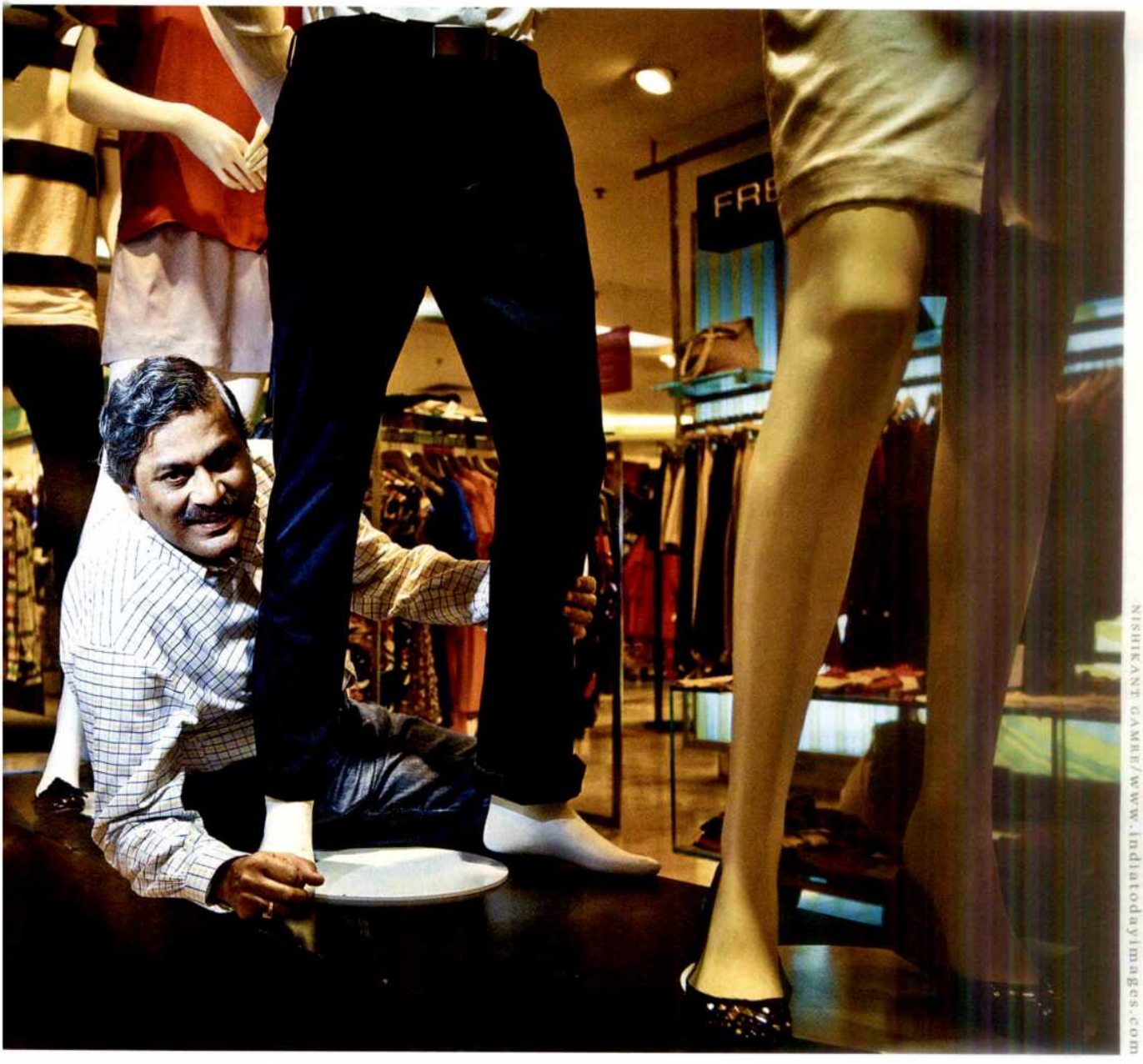
THE STRATEGY

Shut unprofitable formats. Right-sized stores. Controlled costs. Repositioned the brand

most companies do in such times, we repositioned our brand and launched a new logo.

When a slowdowns hits, everyone is affected. You require the support of everyone in the ecosystem, whether you are running at a profit or a loss. Everyone understands that running a business is like running a marathon and not a 100 metre sprint. So, during the 2008 slowdown, senior associates accepted salary cuts, others waived increments and suppliers chipped in with extra credit.

We also learnt that it is essential to evaluate businesses. Businesses/formats/stores that are never going to be profitable need to be closed. Postponing this can only cause more harm. In some cases the customer may not be ready, or your scale may not support profitability. So, closing the business without any emotional baggage is a prudent decision to sustain the overall business. We closed down Arcelia and Brio, two new formats, at that time. We right-sized a few stores, including our department stores in Bandra (Mumbai) and MGF Saket (Delhi).



NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

And our manpower costs were trimmed by around 12 per cent.

Even finance ministers can't predict what will happen to the economy. So, get full control on controllables, as uncontrollables are not in your hand. Every business has certain fixed variable costs. Some of the costs and factors impacting business are never going to be in the control of a company. For example, economic growth, oil prices or stock indices are not in the control of any single company. There is no point in sweating when these factors become negative. Identifying the controllable costs, such as energy and employees, and gaining full control over them helps the business focus its energies on the right metrics. We were able to cut power consumption costs by more than 25 per cent over a 15-month period.

Another important thing during the slowdown is to communicate. When the sky starts falling, everybody notices it. But if one communicates steps that are being taken and the rationale behind them to everyone, fear gets converted into target-oriented objectives. We communicated issues very clearly across the organisation and had all our stakeholders rallying behind us completely.

The author is MD, Shoppers Stop

JAIN IRRIGATION SYSTEMS

LEARNING FROM MISTAKES

BY BHAVARLAL H. JAIN

The apology, a half-page advertisement by Jain Irrigation Systems in *The Economic Times*, on November 26, 1997, began thus: "I'm sad that for the first time since our inception, we've fared badly. We ventured into 'unknown' areas like finance, IT and granite at the cost of our core business... We have lost money but more importantly, we've lost some of our reputation. I feel it's my duty to account for, to own up, to admit my misjudgements, to apologise." Not many in the management team agreed with my decision to apologise but nevertheless I went ahead to cleanse my conscience.

The 1990s offered new-found opportunities, and being a dream merchant, I could not resist the temptation of taking advantage of them to become a large conglomerate. Between 1992 and 1994 we acquired an IT company, took a granite quarry on lease, ventured into merchant banking and even bought an advertising agency. These diversifications happened along with forward/backward integration projects for our existing operations. By March 1997, we were trying to manage 11 different projects involving an investment of ₹400 crore – almost equal to the company's size then. About ₹250 crore was raised by way of debt.

All the diversifications were conceived on instinct and in the euphoria that surrounded the economy then. But the organisation lacked management bandwidth. The investments turned bad, leading to diversion of working capital, which hurt our core businesses. We posted losses. The share prices, which had touched ₹365 (on a face value of ₹10) in February 1994, crashed to a low ₹8 in October 2000. Lenders hauled us to court and a few even sought our liquidation. We were struggling to breathe.

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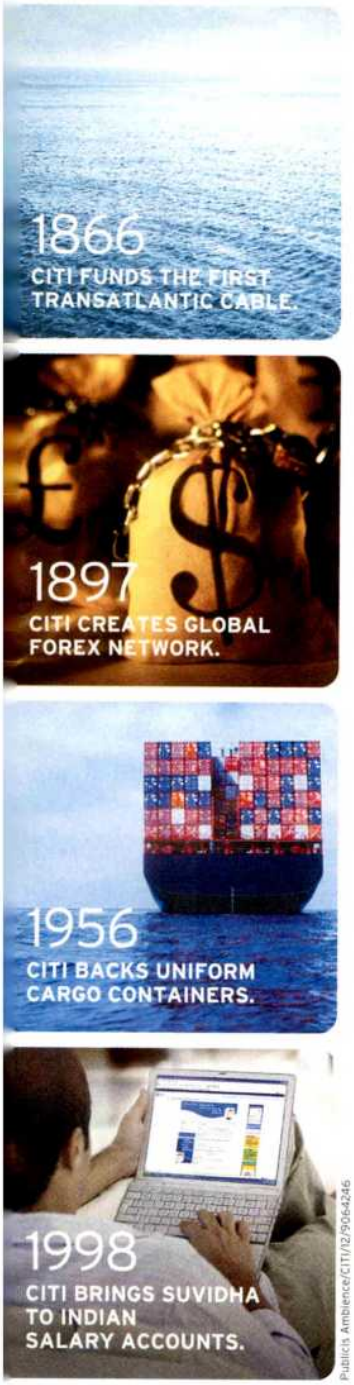

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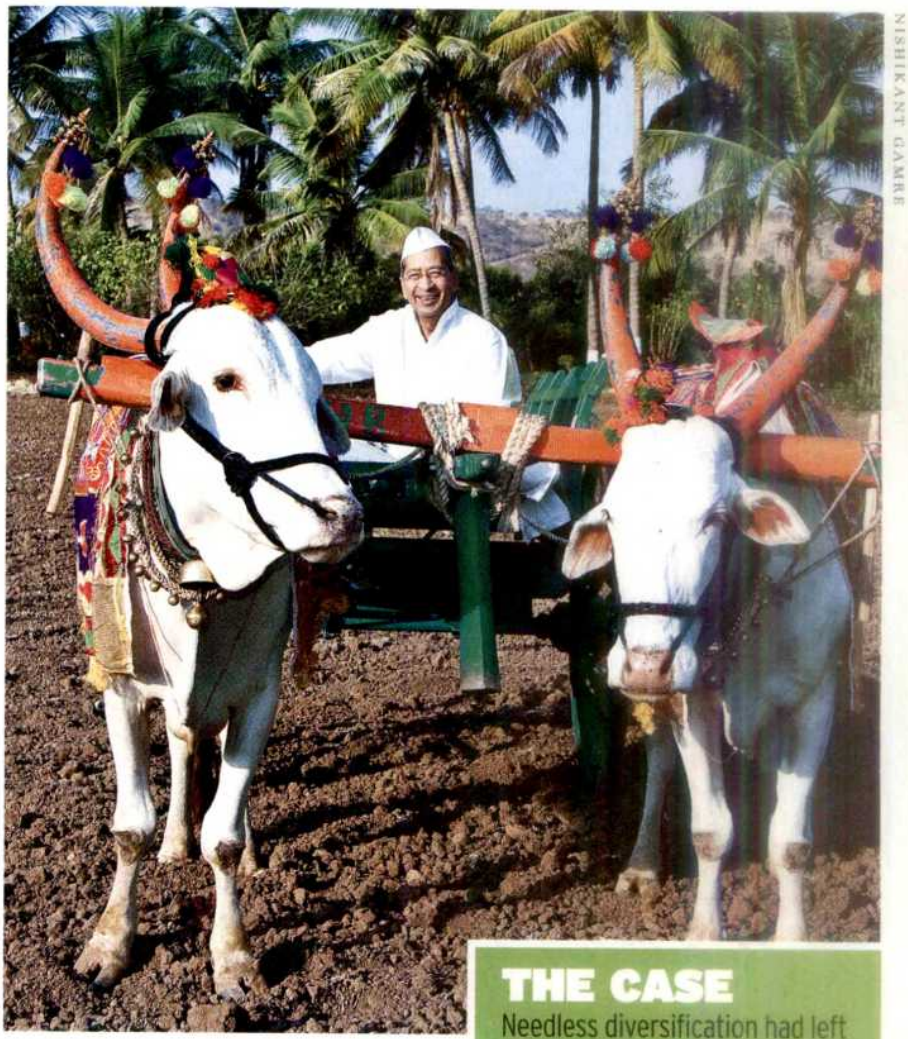


NISHIKANT GAMRE

THE CASE

Needless diversification had left Jain Irrigation on the brink

THE STRATEGY

Roped in a PE investor. Retired debt. Bolstered working capital. Exited non-core businesses

In early 2001, Aqua International Partners, a water-specific boutique fund, offered to invest in the company. There was a catch: we had to give the fund a controlling stake. We grappled with the unenviable question: who should survive, the promoter or the company? We decided to cede control, and in August 2002, the fund invested ₹183 crore and took a 49.4 per cent stake in the company. The promoters' stake dropped from 73 per cent to less than 37 per cent and two family members had to vacate the Board.

We used the money to retire debt and bolster our working capital needs. We exited non-core businesses. By 2005, the company had revived and its share price was at ₹160. The fund chose to exit. Today we are a ₹3,800 crore company, the largest globally in mango processing and tissue culture, and second largest in drip irrigation. The share price is hovering around ₹80 (on a face value of ₹2 per share).

Diversifying into unknown areas without required management bandwidth and eyeing disproportionate growth using debt is not sustainable. That was the lesson of a lifetime for me.

AS TOLD TO N. MADHAVAN

Bhavarlal H. Jain is Founder, Jain Irrigation Systems

CESC

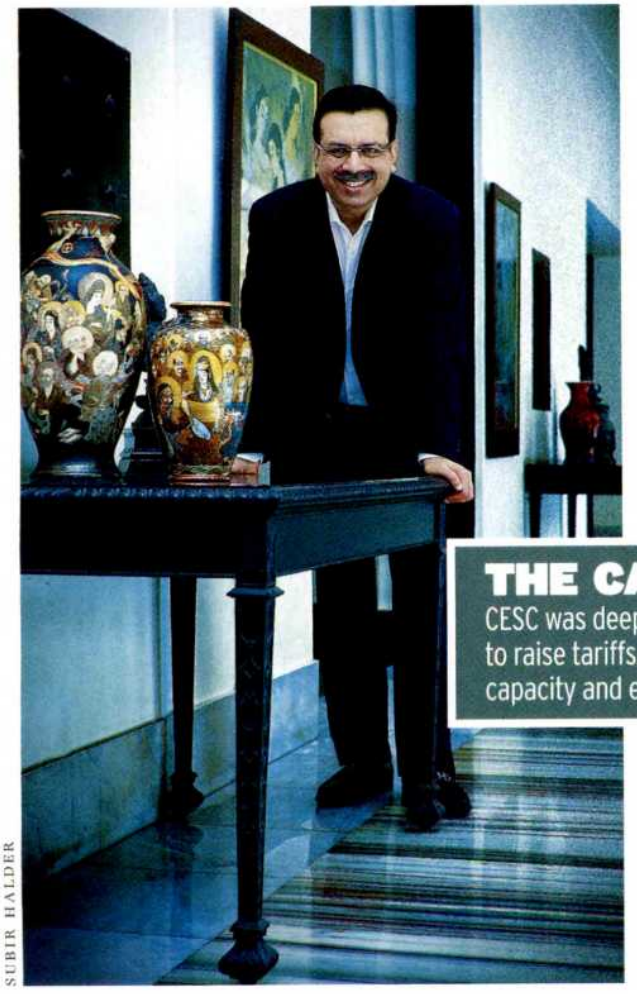
LET THERE BE LIGHT

BY SANJIV GOENKA

The transformation of CESC, responsible for Kolkata's power supply, into one of India's best-run power utilities, is a remarkable story of a company reinventing itself. By 1989, when the Goenka association with CESC began, Calcutta, as it was known then, had earned the dubious distinction of being India's "load shedding city". Domestic and industrial consumers lived without power for 10 hours a day, and the problem was aggravated by power theft. There had been no worthwhile addition to CESC's generating capacity, a large part of which was half a century old. The lacklustre balance sheet provided no joy to investors. And the state government refused to revise tariffs or delayed revisions. Meanwhile, fuel and operational costs continued to rise.

Over the years, the state government passed the increasing cost burden to CESC's industrial consumers, which meant an alarming rise in cross-subsidies. The government had different and conflicting interests. Its electricity board supplied CESC, competed with it, and also played the role of the tariff regulator. This led to disallowance of CESC's legitimate tariff claims, almost forcing its business to become non-viable.

CESC had no other option but to take legal recourse. This route was time consuming and the company also had to face government-appointed committees to examine issues relating to fuel surcharge. By 1999, the West Bengal Electricity Regulatory Commission was constituted. It had judicial powers to determine tariffs. But even after the notification of the commission, there was no tariff revision for two years. Costs remained unrecovered and for the first time in its history, CESC went into the red – the company's net worth was wiped out.



SUBIR HALDER

In a landmark judgment in October 2002, the Supreme Court upheld the claims made by CESC. With this, the utility eventually came back from the brink. In the meantime, the company set up a 500 MW (two units of 250 MW each) generating plant at Budge Budge. A third unit was added in 2010.

Today, Budge Budge is one of India's most efficient thermal power plants. The overall combined availability of CESC's power plants was about 95 per cent in 2011/12 and the three generating stations are among the top 10 in the country. Transmission and distribution losses are now among the lowest. By the end of 2011/12, there was no load shedding in Kolkata for want of supply despite the substantial rise in peak demand.

CESC, which had a debt equity ratio of 5.4:1 a decade ago, has improved its position remarkably and the ratio now stands at 0.6. The company added 100,000 new customers last year and the average time taken to provide new connections has come down to 18 days from 28. It is now ready to add generating capacity, invest in improving distribution efficiency and increase the overall quality of its services.

The author is Chairman, RP-SG Group, & Vice Chairman, CESC

THE CASE

CESC was deep in the red. It needed to raise tariffs, increase generation capacity and end load shedding

THE STRATEGY

Took legal recourse. Set up a power plant. Improved distribution efficiency. Increased service quality

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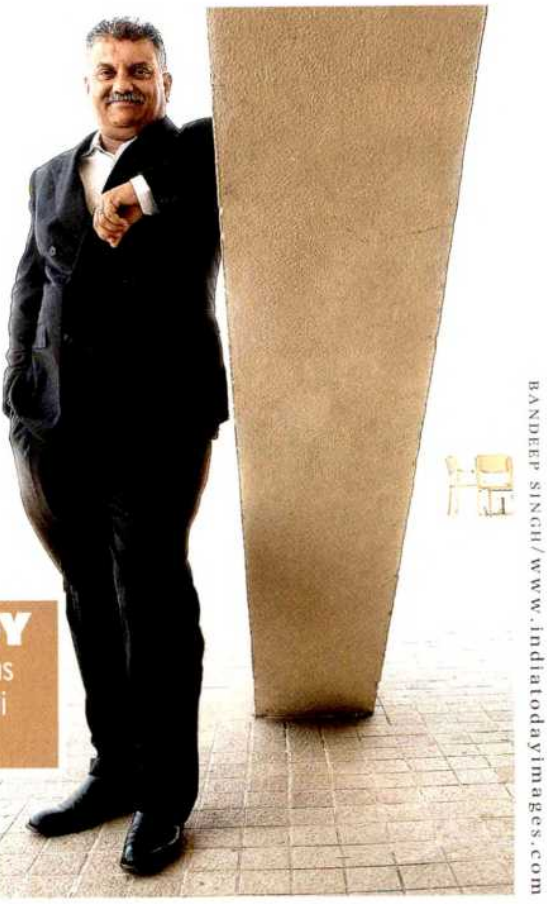
STAR INDIA

JAI HINDI

BY PETER MUKERJEA



BANDEEP SINGH/www.indiatodayimages.com

THE CASE
STAR India needed to attract more viewers across the country

THE STRATEGY
Launched mega shows such as *KBC*. Provided content in Hindi and other languages

Star launched in India in 1992. The STAR Plus that you see today was born out of the changing media landscape in India. In the early years, STAR was unable to provide any localised programming because of an agreement with Subhash Chandra's Zee TV. The agreement was a big roadblock as it prevented STAR Plus from becoming a Hindi channel. [Both channels were beamed into India through the AsiaSat transponder, owned by Chandra's Asia Today, in which STAR had a stake. Their contract stated that STAR would concentrate on providing only English content.] We tried dubbed Hindi programming but realised it was not the solution. Around 1996, the relationship between STAR and Zee soured, and in 1999 the ties between the two companies ended completely (Chandra bought out STAR's stake in AsiaSat). This marked the advent of STAR Plus as a 24-hour Hindi channel.

The management initially chose to go down a certain path, acquiring Doordarshan's library of programmes and having reruns on STAR Plus. But the audiences were so different that the programmes did not gel with the channel, though they did lift STAR Plus's performance slightly.

When I took over as the CEO around 2000, we realised that we needed to change the rules of the game. We needed to be up there with Zee. We were driven by the belief that if Zee could do it, we could too. We only needed to think it through, make the right investments and get the right programming.

Whilst in this process, we came across *Who Wants to be a Millionaire*, which was a big hit across Europe. However, we could not run it as an English show as we were now a 24-hour Hindi channel. But, the same show in Hindi? To be honest we were not sure if it would work until we put it on air as *Kaun Banega Crorepati (KBC)*, with Amitabh Bachchan as the host. The show was received well and delivered good results. It was a combination of good programming, a big Bollywood star, right scheduling and good telecast timing. To achieve all this we had to take a major decision: to pull out our cash cow, the 9 p.m. English news produced by NDTV, and replacing it with *KBC*. It was a big gamble and it paid off well.

The key lesson we learnt was that viewers, not programmers, had to be central to the programming strategy. Another lesson was that we had to provide content to viewers in Hindi and other regional languages – being only an English language broadcaster was not good enough. The same learning was used when launching STAR News, after the split with NDTV. We pulled out a successful news show and replaced it with something untested before on Indian television. The strategy worked.

We challenged orthodoxy, took big risks, made shows like *KBC* with a big host, big prize money and great production values along with few other soaps. And we attracted viewers.

AS TOLD TO ANUSHA SUBRAMANIAN

Peter Mukerjea is a former CEO of STAR India

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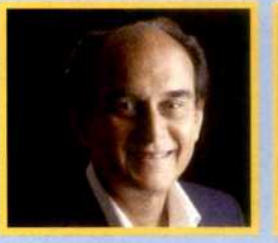

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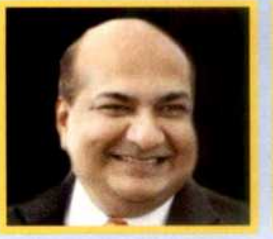
Senior VP (Sales), India, Middle East & Africa, Nokia

Shekhar Kapur
Renowned film-maker



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ARVIND MILLS

WEARING THE RIGHT FIT

BY SANJAY LALBHAI

THE CASE
Arvind had to overcome ₹500 crore in losses and ₹2,700 crore in debt

THE STRATEGY
Diversifed into new segments. Restructured some businesses. Monetised surplus land

Two hundred and forty million metres of cotton fabric, eight million pieces of garments, 10 international apparel brands, and Megamart, the value retail chain. All these are Arvind Ltd today. Arvind's financial performance over the last four years is the tale of a transformation. Since 2008, revenue has grown at a compound annual growth rate (CAGR) of 17 per cent to ₹4,925 crore (in fiscal year 2012), earnings before interest, taxes, depreciation and amortisation (EBITDA) has grown at a CAGR of 15 per cent to ₹602 crore.

This transformation is the result of a strategic roadmap we prepared four years ago. It visualised a four-pronged strategy: create a portfolio of diversified businesses, develop a strong business to consumer business model (B2C), expand the share of domestic revenue in the total pie, and achieve growth without using incremental debt.

In 1997, Arvind undertook a major expansion plan. We were setting up a ₹1,000 crore complex in Gujarat. We borrowed money against the project but it took time to be commissioned and become profitable. There were overruns due to depreciation of the rupee, denim entering a downward cycle and flooding in the area where the complex was being built. This led to an accumulated loss of over ₹500

SHAILESH RAWAL/www.indiatodayimages.com

crore. To turn Arvind profitable again, the debt of ₹2,700 crore was restructured. The key learning from this experience was to not leverage the balance sheet. If things no one can plan for happen suddenly, there will be financial problems.

What also contributed to Arvind's return to profitability was that denim had started to come out of its downward cycle. Denim has been the largest business for us for years. It is a lucrative business, but cyclical in nature. As a part of the de-risking strategy, we decided to grow non-denim businesses. We restructured our shirting fabric, khaki fabric and knits business.

Although textile earns higher margins, it is also a capital intensive business. The brands and retail business offers high growth, but relatively low margins. It also requires lower capital. We decided in future, the brands and retail business would be a major growth driver. Here we again adopted a four-pronged strategy: launch new brands to fill market segment opportunities, expand distribution reach, extend successful brands to newer categories and rapidly roll out the Megamart hub-and-spoke model. Thus, the brands and retail business has been growing at a CAGR of 25 per cent since 2008. We also have a strong portfolio of international brands, including Arrow, US Polo, Izod, GANTT, Tommy Hilfiger, and Elle.

We also created a B2C vertical, Arvind Stores, to retail fabrics in India. Today, the share of B2C sales is almost 40 per cent against less than 20 per cent four years ago. Monetisation of surplus land helped in reducing our financial leverage. So far, we have realised cash flows of ₹255 crore.

Today, Arvind is well poised to seize the huge opportunities before the Indian textile industry.

The author is Chairman and Managing Director, Arvind Ltd

ADITYA BIRLA NUVO

FIRST MAN FORWARD

BY RAKESH JAIN AND SUSHIL AGARWAL

The financial year 2008/09 was marked by the advent of a worldwide economic recession in tandem with a liquidity and credit crisis. This spilled into 2009/10 and slowed the growth momentum.

The crisis affected Aditya Birla Nuvo's (ABNL) profitability. We had invested over ₹800 crore to fund growth in the life insurance business and for the acquisition of the retail broking outfit. Expansion of stores in the Fashion and Lifestyle business also impaired profitability. Our export-oriented IT-ITeS and apparel contract manufacturing businesses were hit.

Subsequently, we reported a consolidated net loss of ₹436 crore in 2008/09 against a profit of ₹151 crore the previous year. Investments and working capital requirements strained ABNL's standalone balance sheet, with net debt-EBITDA reaching 5.8, and gross debt touching ₹4,500 crore. Cash conservation was a big challenge.

To tackle the situation, we took a number of proactive cost-rationalisation initiatives across our businesses. Cash generation by manufacturing businesses and capital infusion of ₹1,000 crore by our promoters helped de-leverage the balance sheet and reduce the interest burden. These measures also ensured availability of growth capital, enabling our businesses to outperform the industry even in an extremely challenging environment.

THE CASE
ABNL needed to bounce back after being pushed into the red by the 2008 economic crisis

THE STRATEGY
Rationalised costs. Infused capital. Reduced debt. Restructured some businesses

Garments subsidiaries were merged into the company for optimisation of costs and resources and to derive synergies. Innovative structuring of

debt instruments helped pare the interest outgo in our subsidiaries.

The results are evident. Today, all of our businesses are profitable and growing. Led by strong growth in renewal premium, Birla Sun Life Insurance has turned profitable. Once a capital guzzler, the financial services business has become the largest contributor to ABNL's profitability. Today, Aditya Birla Financial Services is the fifth-largest fund manager in India, excluding banks and LIC.

The Fashion and Lifestyle and IT-ITeS businesses have turned profitable. Our manufacturing businesses continue to yield strong cash flows. Aditya Birla Minacs, the IT-ITeS arm, crossed the ₹2,000 crore revenue mark in 2011/12. And despite the regulatory challenges surrounding the sector, our telecom business – Idea Cellular – has been the biggest revenue share gainer in the past two years.

All our businesses are today well placed and contributing to growth. Today, ABNL is generating 50 per cent more revenue than in 2008/09. EBITDA has grown almost four times. Net profit has risen multifold. Standalone net-debt/equity at 0.66 and net debt/EBITDA, at 3.6, are quite reasonable considering that 60 per cent of capital employed is deployed in long-term investments.

Our Chairman, Kumar Mangalam Birla, has summed up our survival instincts well: "Over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses. And when we do face a downturn today, from our position of strength, the message I want to convey is that, the last man standing has the best chance at being the first man forward."

Rakesh Jain is MD and Sushil Agarwal is Whole-time Director & CFO, Aditya Birla Nuvo

JAGRAN PRAKASHAN

THE AWAKENING

BY MAHENDRA MOHAN GUPTA

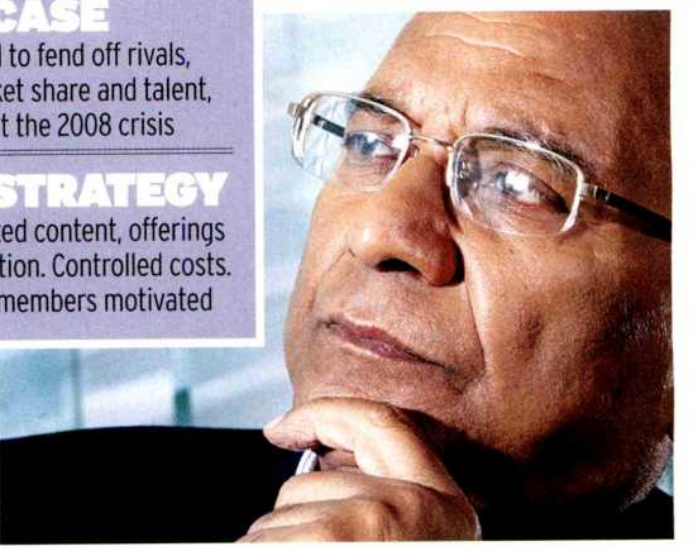
The print media is the only industry where the more you sell, the more you lose. One just has to look at its genesis in India to understand why. The industry evolved with the objective of disseminating the voice of the people during the freedom struggle. With this goal, rather than profit making, newspapers were priced at affordable levels. Jagran Prakashan Ltd, which was founded in 1942 during the Quit India Movement, was not an exception. However, the cover prices of newspapers continue to remain much lower than their cost, and even today, the more you sell, the more you lose.

THE CASE

JPL needed to fend off rivals, retain market share and talent, and ride out the 2008 crisis

THE STRATEGY

Differentiated content, offerings and innovation. Controlled costs. Kept team members motivated



Until 2005, we had been expanding the reach of *Dainik Jagran* across Northern and Central India and losses were inevitable. In 2005/06, we went public. This gave us some funds and allowed us to consolidate our position. Investing early in the business gave us a leading market position, which allowed us to command a good flow of advertising revenue. The time had come to reap the benefit of the investment and hard work done over 60 years.

However, the journey since has not been a cakewalk. With the increasing importance of Tier-II and Tier-III towns, competition has intensified and we face the twin threats of losing market share and talent. The global meltdown of 2008/09 and 2011/12 has compounded the industry's woes. During this difficult phase, Jagran Prakashan has stuck to the basics, focusing on providing consumer differentiation in terms of content, offerings and innovation. At the same time we have controlled costs, motivated the team to deliver against the odds, and looked after the interests of consumers and other stakeholders. So far, this has yielded results. And I firmly believe that it will be the key to success in future.

The author is Chairman & Managing Director, Jagran Prakashan

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IDEA

FROM STRENGTH TO STRENGTH

BY HIMANSHU KAPANIA

In 2005/06, Idea Cellular was a regional player covering only 40 per cent of India. Our turnover back then totalled ₹3,500 crore. We could have gone around building this company like a timid bit player, but we had the courage to act like a leader. In spite of the uncertain regulatory environment and the sector reeling under pressure from a series of policy flip flops, Idea has performed consistently and set high standards of compliance and reporting.

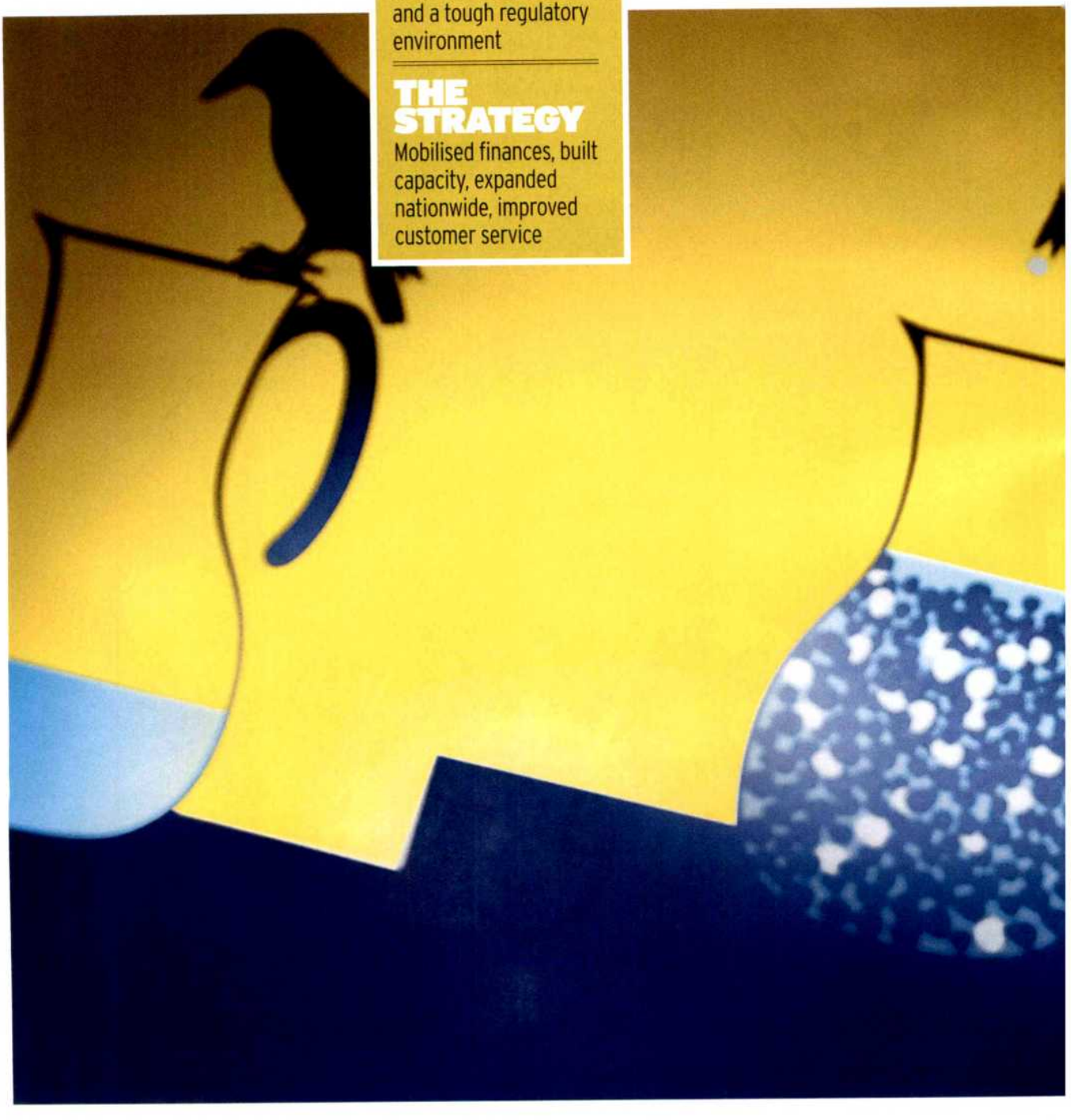
In 2007, some companies mistakenly thought that the competitive barrier in the telecom sector was a piece of paper, a licence. In this sector you have to contend with India's finest and the world's most ferocious competitors in trying

THE CASE

Idea faced pressure from stiff competition and a tough regulatory environment

THE STRATEGY

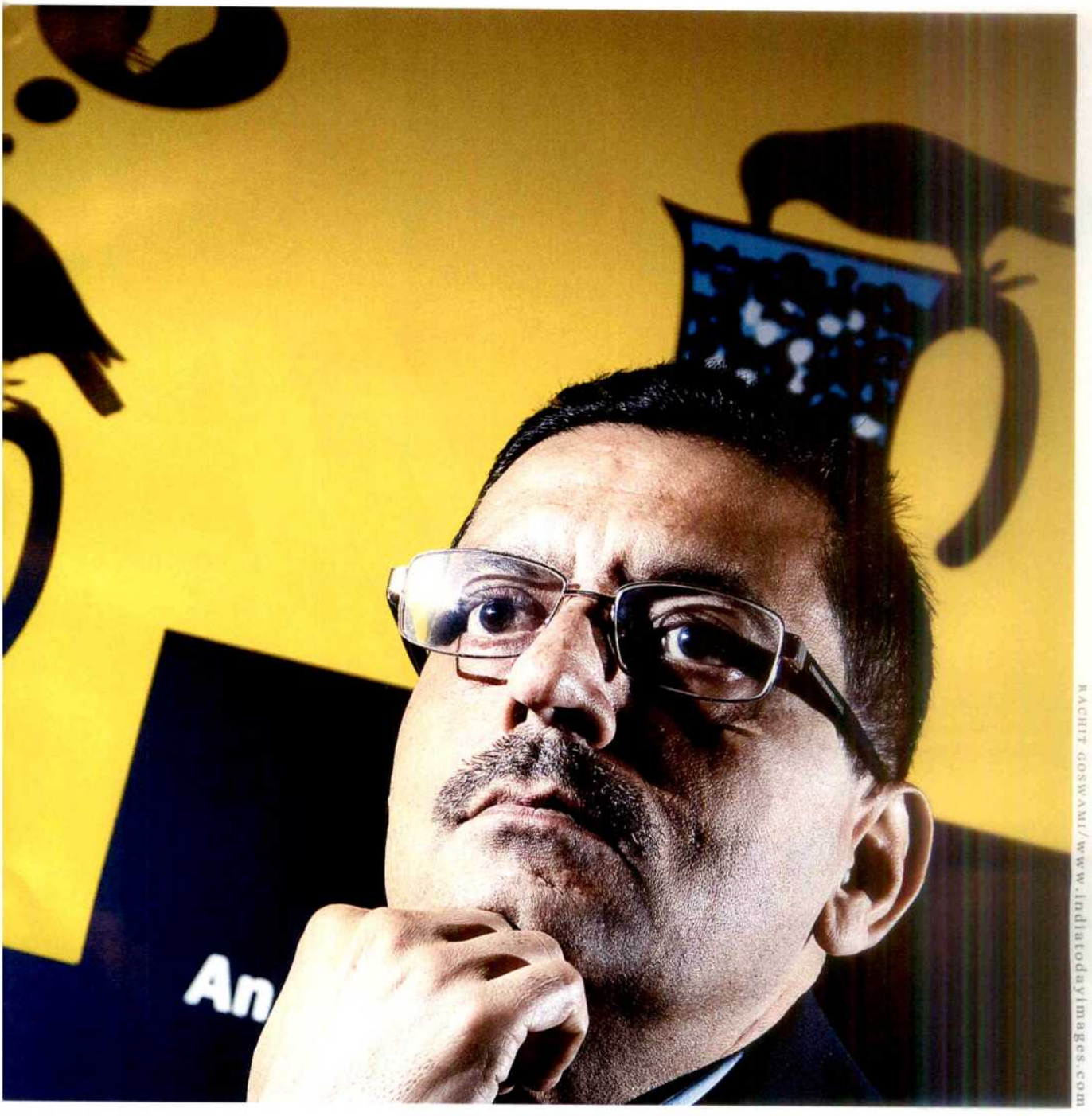
Mobilised finances, built capacity, expanded nationwide, improved customer service



conditions. Every management discipline is stress tested day in and day out.

The last four years have seen us make a sustained effort to build capacity, expanding our base station count from 4,000 to 100,000 and laying 65,000 kilometres of fibre optic cable. We also started the Internet service business. In 2011, Idea acquired 3G licences for 11 circles for ₹5,800 crore. We have also built a massive contact centre that seats 25,000 call centre executives. We have service centres in 4,000 towns. We now contribute in excess of $1 billion to our group EBITDA, accounting for 18 per cent of the total.

Since 2005/06, we have grown six times to over ₹19,500 crore (2011/12) and are now a national player. In financial year 2012, Idea, now the third largest mobile operator in India, retained its position as the fastest growing for the fourth year running. We recorded 26 per cent year-on-year growth in



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revenue – twice the industry rate. Despite operating in extremely competitive market conditions, our revenue market share (RMS) grew 1.4 per cent year on year, consolidating Idea's position and giving it 15 per cent RMS in a 14-player market – third highest after Bharti and Vodafone.

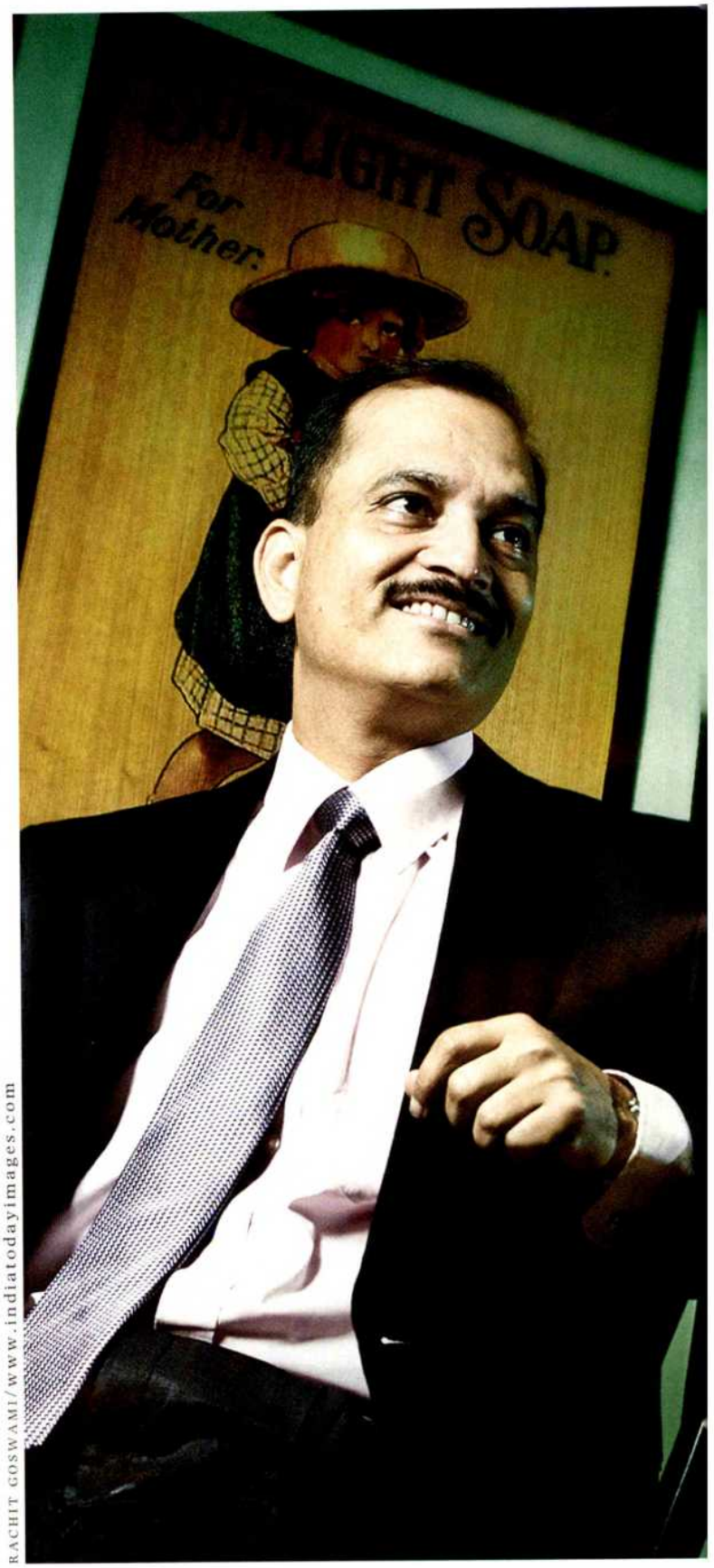
We have consistently stayed at the top in terms of quality of subscribers and recently entered the select club of global operators with over 100 million customers. Our ratio of active subscribers to reported subscribers is over 93 per cent, the highest, and way above the industry average of 74 per cent.

From 30,000 villages our presence has expanded to 300,000 towns and villages, through 1.5 million retailers. We made an initial public offering in 2007, which helped mobilise finances. Today, we are among the top 35 listed Indian companies. Globally, Idea is ranked among the top 10 country operators in the world, with traffic in excess of 1.4 billion minutes a day.

From finance mobilisation, nationwide network rollouts and building the country's most extensive distribution network, to setting up responsive contact and service centres or evolved information technology processes, Idea is a transformed company.

With three million shareholders, 116 million customers, and 7,661 employees, we are confident that the company will not only tide over the current regulatory headwinds, but consolidate its position further and emerge stronger.

The author is Managing Director, Idea Cellular



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HUL

RIDING VOLATILITY

BY NITIN PARANJPE

We live in a world of rapid change, whether it is consumers or the environment in which we operate. In addition, companies are also facing unprecedented volatility. To succeed, businesses have to recognise that both change and volatility are the new normal, and find ways to address it.

Volatility affected us in 2008, when crude oil prices swung from a high of $140 a barrel to a low of $40. This had massive implications on pricing. In order to ensure our brands remained competitive every time and everywhere, we needed to respond with speed and agility. That meant shorter planning cycles, investment in processes and technology, and initiatives like Sunset, which promote a bias for action. Through Sunset, any unresolved actions are automatically escalated to the management at the highest levels and resolved quickly. People within the organisation feel good when they see their feedback being acted upon promptly. This is not only energising and empowering but also makes us more competitive.

The rapidly changing times put an even higher premium on an organisation's ability to embed consumer and customer centricity in everything that it does. Towards this end, we have encouraged all our employees to spend time engaging with consumers and customers to understand their needs and address their complaints. It is this single-minded focus on the consumer that has helped our brands deliver better consumer value.

THE CASE

HUL faced pricing pressure in 2008 and had to make its brands competitive

THE STRATEGY

Focused on consumers. Invested in processes and technology. Controlled costs

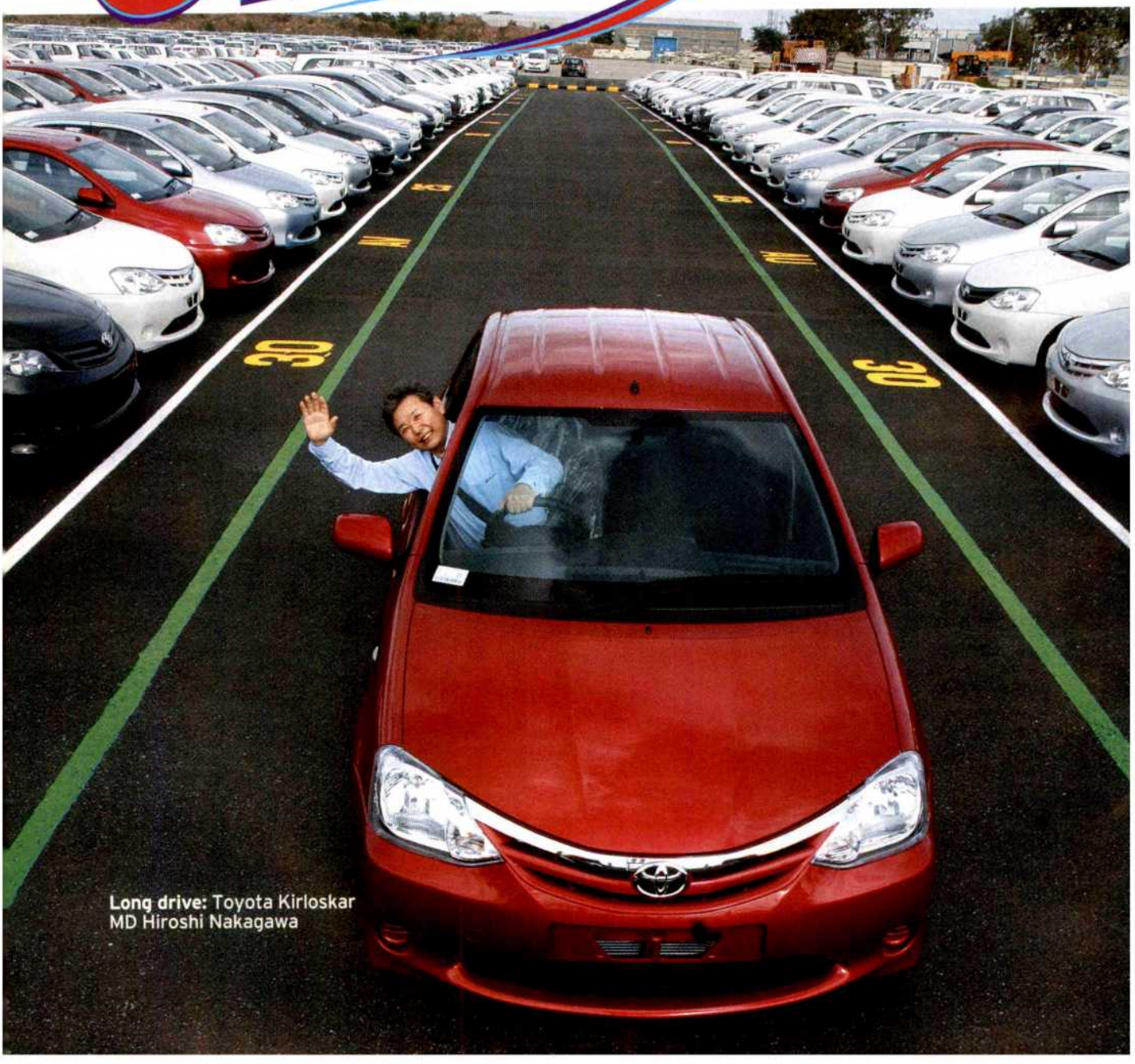
The success of an organisation is dependent on its ability to execute flawlessly. Over the last few years we have dramatically improved our 'go to market' execution both through discontinuous expansion in our reach and by leveraging technology to improve its quality. Simultaneously, we have been ruthless on costs. We are constantly asking ourselves how we can strip out every rupee that the consumer is not willing to pay for. It is this approach to cost that has generated the "fuel" for growth and enabled us to invest in product quality and superior benefits, thereby increasing the competitiveness of our brands. These are the sorts of actions that have helped us manage challenges and emerge stronger. ◆

The author is CEO & Managing Director, HUL

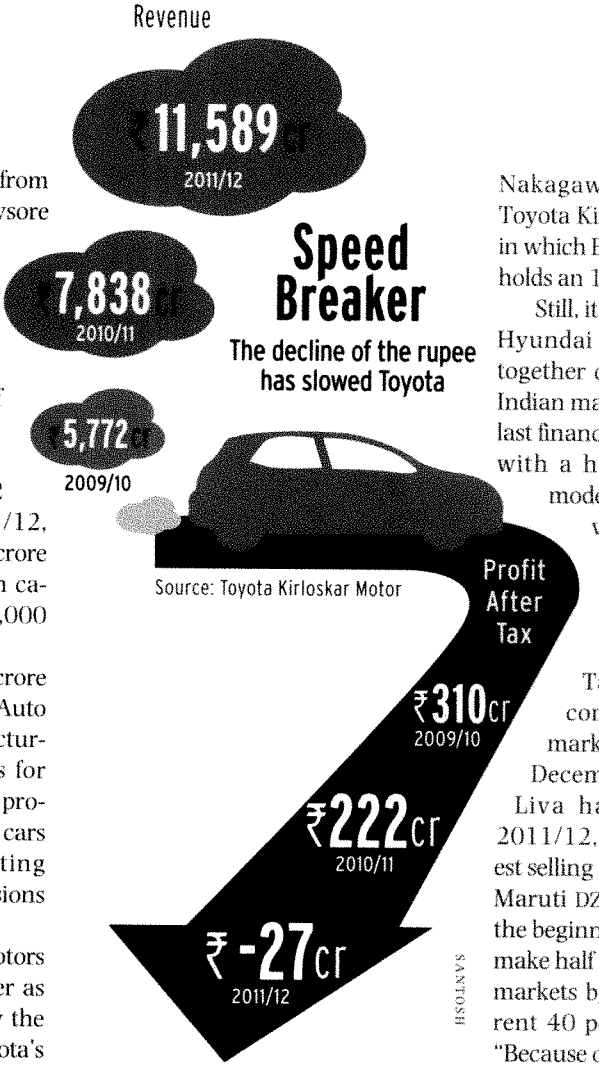
SHIFTING GEARS

India contributed less than one per cent of Toyota's revenues last year, but it is crucial to the carmaker's pla for the Asia-Pacific region.

By K.R. BALASUBRAMANYAM



Long drive: Toyota Kirloskar MD Hiroshi Nakagawa



Thirty-two kilometres from Bangalore, off the Mysore highway, is Bidadi. This small town plays a vital role in the Asia-Pacific strategy of Toyota Motor Corp, the world's largest carmaker by number of units sold. Although India contributed less than one per cent of the Japanese carmaker's $232 billion global revenues in 2011/12, the company is investing ₹898 crore in Bidadi to increase production capacity nearly 50 per cent to 310,000 vehicles a year by March 2013.

It is investing another ₹600 crore in its ancillary, Toyota Kirloskar Auto Parts, in Bidadi to start manufacturing transmission and engines for small cars. The new units will produce 110,000 engines a year for cars such as Etios and Liva, starting August, and 240,000 transmissions a year from December.

Toyota displaced General Motors in the January-to-March quarter as the world's biggest carmaker by the number of units sold. Among Toyota's subsidiaries in the Asia-Pacific region (excluding China), India occupies sixth place, but Toyota wants to bring it up to the third spot by 2020. India, which currently accounts for 10 per cent of Toyota's sales (1.7 million units) in the region, will play a crucial role in this climb. "As our production capacity increases, the important markets for us to increase volumes will be India, Brazil and Russia," says visiting Toyota Managing Officer, Kyoichi Tanada. By 2020, Toyota wants to be able to make a million units a year in India, says Tanada, who oversees business in the Asia-Pacific region and Australia.

Toyota will also expand its dealer network from the present 173 outlets to 225 by March 2013. "Production and sales will be driven by Thailand, Indonesia and India," he says, referring to the Asia-Pacific region. "Our aim is to see India catch up with Thailand and Indonesia." In 2010, Toyota's sales in Thailand were four times those in India, and Indonesia's were three times. Australia, Malaysia and Taiwan were ahead of India, too.

"Volume-wise, India is not big, but in terms of the speed of growth, it is a big contributor," says Hiroshi Nakagawa, Managing Director of Toyota Kirloskar Motor, a subsidiary in which Bangalore's Kirloskar Group holds an 11 per cent stake.

Still, it is up against rivals Maruti, Hyundai and Tata Motors, which together control 86 per cent of the Indian market. Toyota's share in the last financial year was 6.12 per cent, with a high dependence on one model – its Innova multi-utility vehicle, which accounted for 38 per cent of its revenues. "Our target is a 10 per cent market share in India in five years," says Tanada. This was why the company entered the mass market with the Etios sedan in December 2010 and the Etios Liva hatchback last year. In 2011/12, Etios was the second-largest selling super-compact sedan after Maruti DZire. The Etios models are the beginning of Toyota's strategy to make half its global sales in emerging markets by 2015, up from the current 40 per cent. Nakagawa says: "Because of the Etios, we had to open dealerships in semi-urban areas."

Now that it is in the mass market, Toyota needs to quickly increase production. Maruti's annual production capacity is 1.5 million units, Hyundai's is 630,000 and Tata Motors, 615,000.

With Toyota's Bidadi auto ancillary set to increase production, the Etios and Liva petrol variants will be 90 per cent localised, up from 70 per cent at present. "Our goal is 100 per cent localisation, but no manufacturer has ever achieved that," says Nakagawa. "You will still require some advanced material like a sensor or chip." He adds that planning is necessary to adjust production. "But there is no stability in auto fuel policy. That is a cause for concern."

Toyota Kirloskar's profitability hinges on how quickly it can increase localisation. Only about half of the Innova, for instance, is made in India. An Innova oil filter, imported from Thailand, costs three times as much as a Xylo filter.

Localising engine and transmission manufacturing will help Toyota cut overall cost by 11 per cent, says Shekar Viswanathan, Deputy Managing Director, Toyota Kirloskar. Cost reduction is important, given

For interview and more, go to
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TOP FIVE CARMAKERS BY MARKET SHARE

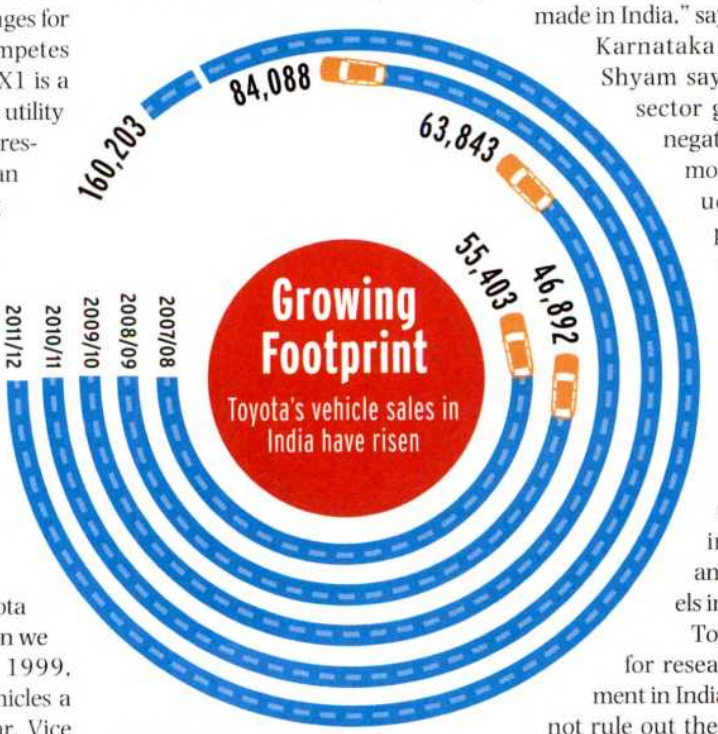
Source: SIAM Figures denote percentage of total passenger vehicles sold in India in 2011/12

the rupee's slide against the dollar. After five years of profits, Toyota Kirloskar reported a ₹27-crore loss on a turnover of ₹11,589 crore in 2011/12, and is likely to report losses this year, too. "Every rupee increase in the dollar value makes our imports costlier by ₹90 crore," says Viswanathan. The rupee has slipped over 25 per cent against the US dollar since July 2011.

Toyota's rivals are, of course, anything but idle. They are ramping up capacity, and increasing the number of models in several segments. M&M's refreshed Xylo and the new Maruti Ertiga are challenges for Toyota. M&M's XUV500 competes with the Innova and BMW's X1 is a rival to the Fortuner. Toyota's utility vehicles could face further pressure when M&M's South Korean acquisition, Ssangyong Motor, helps the Indian carmaker introduce the Rexton, this year. Toyota also needs to beef up its mid-range sedan offerings in India. Sales in this segment are brisk, and Toyota has nothing to rival the Hyundai Verna, Tata Manza, Maruti SX4, Skoda Rapid and Nissan Sunny.

Even so, it looks like Toyota is in a good place. "When we started production in 1999, the capacity was 25,000 vehicles a year," says Vikram Kirloskar, Vice Chairman, Toyota Kirloskar. "The volumes we are adding are huge." By selling 160,203 units in India in 2011/12, Toyota has overtaken Volkswagen (78,281 units), Ford (92,665) and General Motors (110,048). It is now the fifth-largest carmaker in India in terms of market share (see *Top Five Carmakers by Market Share*). If it maintains its pace, it could pip M&M to fourth place next year. "It is quite possible Toyota might overtake not just M&M, but also Tata Motors in the next three to five years," says Mahantesh Sabarad, analyst at Fortune Equity Brokers.

Toyota is preparing itself and its dealers and vendors for growth by stepping up training at all levels. "Hiring and training people will be a big challenge over the next two years," says Vice Chairman Kirloskar. Sandeep Singh, Deputy Managing Director who oversees marketing at Toyota Kirloskar, says: "At any point, about 100 Indians are in Japan, Thailand and Singapore." About 60 Japanese experts are in India, too.

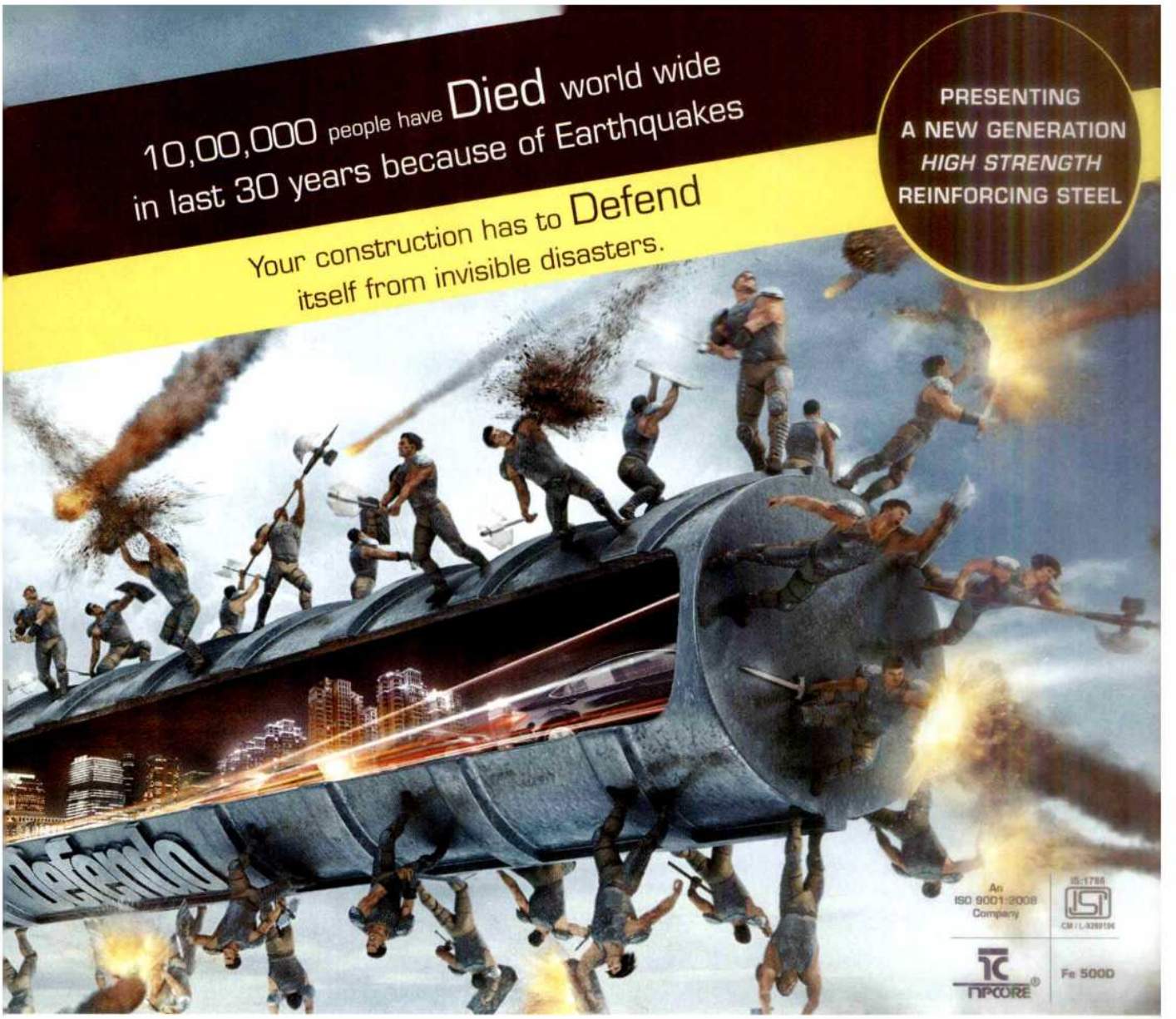


Source: SIAM
Note: In 2011, sales were affected by natural disasters in Japan and Thailand

Toyota has no plans to make entry-level cars here, but over the next four years, it plans to introduce eight compact models in emerging markets. "Some will be made in India," says Tanada.

Karnataka car dealer M.P. Shyam says although auto sector growth has been negative in the last two months, Toyota products have waiting periods. Besides speeding up production, Toyota needs to introduce models for value-conscious Indian consumers, he says. "It will need to come up with diesel cars in the A segment and more diesel models in the B segment."

Toyota has no plans for research and development in India, but Tanada does not rule out the possibility. "It all depends on the models we would want to introduce," he says. ◆



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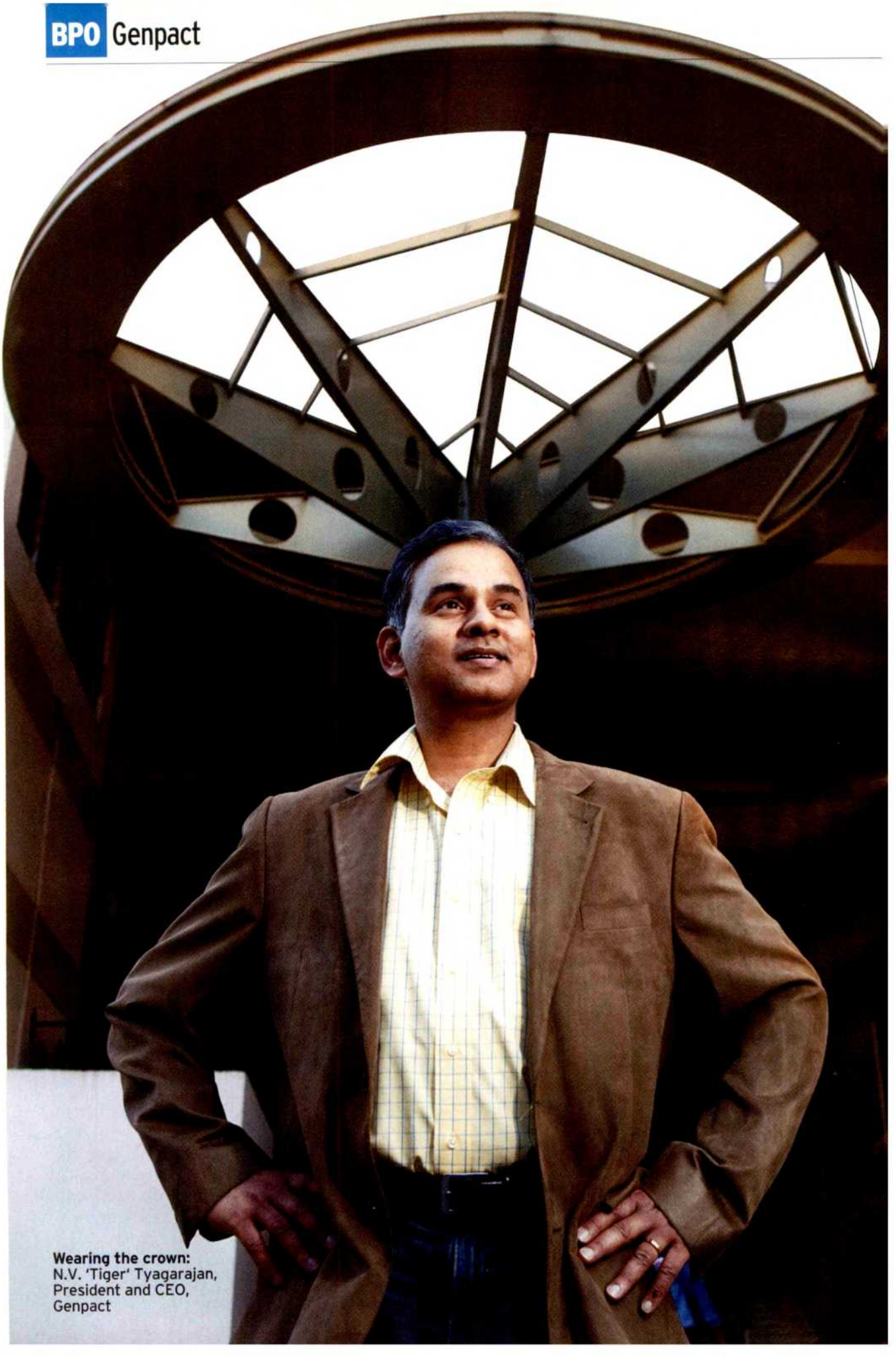

Wearing the crown: N.V. 'Tiger' Tyagarajan, President and CEO, Genpact

Jewel in the Crown

'Tiger' Tyagarajan is the king of the BPO jungle and PE firms continue to beat a path to Genpact. By SUNNY SEN

GEN FACTS

General Atlantic and Oak Hill's exit will be the biggest BPO deal at
$1.5bn

Serco's Intelenet buyout is top BPO deal so far at
$634mn

Genpact generates a steady cash flow; the current figure is
$406mn

In a mature BPO market, it grew faster than its peers at
27%

When global pharmaceutical major AstraZeneca, in 2008, thought of outsourcing its finance and accounting work, David Powell, its head of global finance processes, visited Genpact's Europe offices. He noticed there were no blaring television sets or freshly printed charts on the walls as at most other business process outsourcing (BPO) companies. Powell was rather impressed to see Genpact executives huddled around whiteboards, working on flowcharts, much the way employees at his own company did. Genpact got the deal, initially for AztraZeneca's European operations and later for all regions except Asia.

Clients are not the only ones attracted to what is India's largest BPO firm. Investors are no less enamoured. Lately, market buzz is back around Genpact with US-based private equity (PE) firms Oak Hill Capital Partners and General Atlantic, which jointly hold a 41 per cent of the company, reportedly in talks to exit. The prospective buyers are said to be two other PE firms – Apax Partners and Bain Capital.

Such a deal has been talked about for the past couple of years, but the renewed market chatter comes at a time when several PE players are seeking to exit the Indian BPO industry. Blackstone sold its stake in Intelenet last year, Warburg Pincus is trying to exit WNS, and ICICI Bank and a consortium of investors are looking to sell their stakes in Firstsource. PE firms typically invest in companies at early stages of growth and exit after three to five years. By now, the BPO industry is considered mature and few PEs want to dabble in it any more. But Genpact remains an exception.

So what makes Genpact a PE darling?

The company began in 1997 as the back office of US conglomerate General Electric in Gurgaon. General Atlantic and Oak Hill first invested in Genpact in 2004, buying a 60 per

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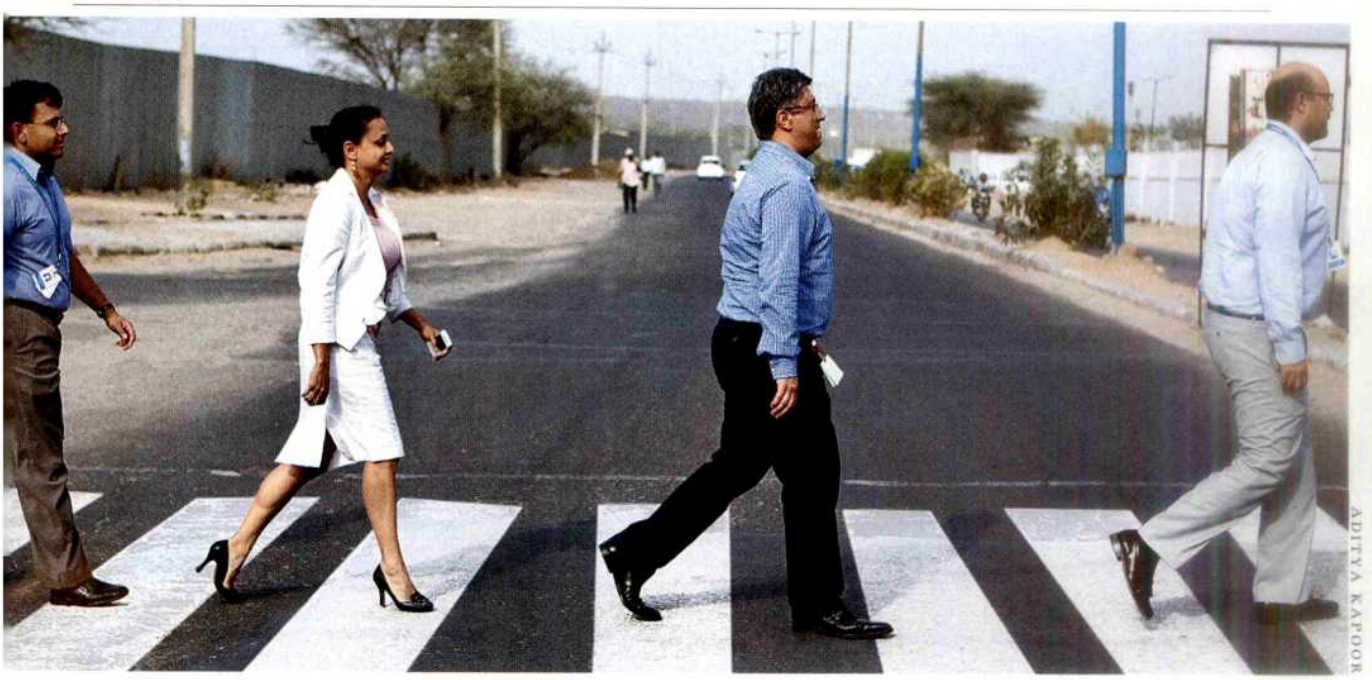

ADITYA KAPOOR

Winning road: (From left) Top Genpact employees Shantanu Ghosh, Senior Vice President, Practices, Solutions and Transitions; Sasha Sanyal, Senior Vice President, Smart Enterprise Processes & Lean Six Sigma; Mohit Thukral, Senior Vice President, and Head, Global Financial Services and Insurance; and Harpreet Duggal, Senior Vice President

cent stake for about $550 million at $3.50 per share. In 2007, they sold 19 per cent at $14 a share during Genpact's initial public offering. "If you look at the amount, they made good money," says N.V. 'Tiger' Tyagarajan, Genpact's President and Chief Executive Officer.

General Atlantic and Oak Hill's stake is currently valued at $1.5 billion. If they exit, the deal's valuation would make it the biggest BPO transaction ever, exceeding the $634 million buyout of Intelenet by UK-based IT and BPO company Serco.

Tyagarajan, however, will not comment on the reports of the PE firms exiting Genpact. "I cannot keep on reacting to news coming out in the papers every day," he says. "I have a business to run." He also dismissed a newspaper report that said he gets ₹49.4 crore in annual salary, making him the highest-paid CEO in the Indian IT-BPO industry. "They do not know how to calculate."

In email responses, both General Atlantic and Oak Hill declined to comment on exit plans, but said they continued to evaluate their portfolio of investments. Apax and Bain did not respond to email queries.

Analysts say a deal would benefit buyers as well as sellers. "Apax and Bain will buy great assets. General Atlantic and Oak Hill will make decent returns," says Sanjeev Krishnan, PE Leader at PricewaterhouseCoopers India.

Genpact also has a healthy balance sheet, says a director at a US-based PE firm. There is $406 million in cash and outstanding debt at only 57 per cent of shareholders' equity.

Pramod Bhasin, the Non-executive Vice Chairman who started Genpact and spun it off from GE in 2005, says investors love the company because of its domain expertise and its focus on improving work processes for clients. Bhasin stepped down as president and CEO last year, and is credited with turning Genpact into one of the world's top five BPO firms with revenues of $1.6 billion in 2011 and a market value of $3.7 billion. "No other company knows the best way to run a process," he says.

CLEAR WINNER

PE investments in BPO firms. Genpact is way ahead

	INVESTORS	STAKE	VALUATION AS PER M-CAP*
Genpact	General Atlantic, Oak Hill	41	1,500
WNS**	Warburg Pincus	33	164
EXL#	Oak Hill	17.3	127
Firstsource	ICICI Bank, Temasek, Metavante	58.3	40

*In $ million, as on July 12, 2012 — Stake in %

**Warburg Pincus has already sold 15% of its holding in WNS

#Oak Hill has sold 18% of its holding for $120 million

Source: *BT* Research

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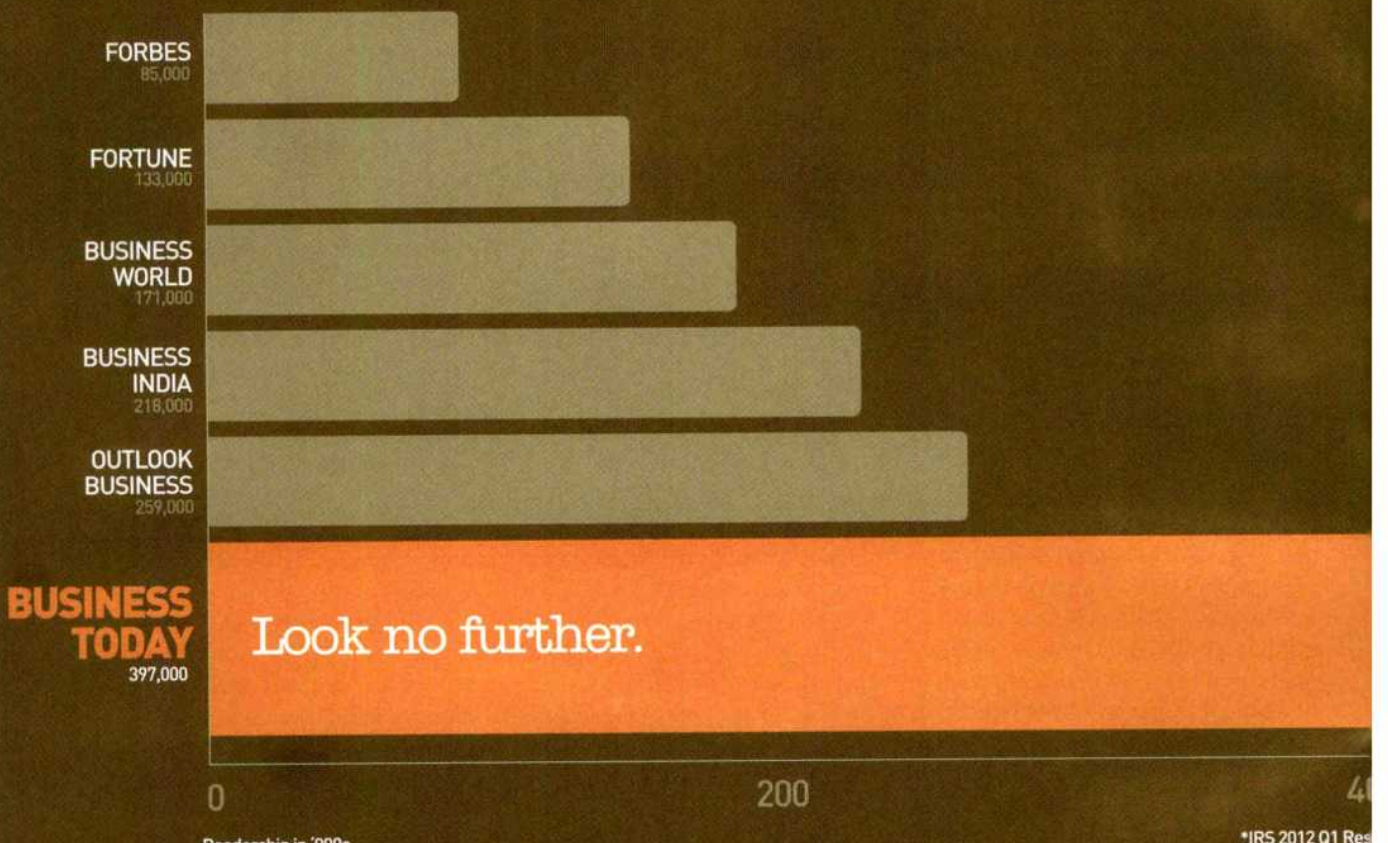

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THE ACQUISITIONS

Genpact continues to make tuck-in deals to build capability

MAY 2012
ACQUIRED: Atyati Technologies
CAPABILITY: Rural banking
DEAL SIZE: N.A.

APR 2012
ACQUIRED: Accounting Plaza
CAPABILITY: Retail delivery
DEAL SIZE: N.A.

SEP 2011
ACQUIRED: EmPower Research
CAPABILITY: Social market research
DEAL SIZE: $20 mn

JULY 2011
ACQUIRED: Nissan Human Resource Captive
CAPABILITY: HR services and Japan offshore
DEAL SIZE: N.A.

APR 2011
ACQUIRED: Headstrong
CAPABILITY: Capital markets
DEAL SIZE: $550 mn

FEB 2010
ACQUIRED: Symphony Marketing Solutions
CAPABILITY: Marketing services & solutions
DEAL SIZE: $90-100 mn

AstraZeneca's Powell says that, before awarding the contract to Genpact his company's finance and accounting system was different in different countries. "For a company like AstraZeneca the cost saving a BPO can offer would be only a day of our sales," he says. What mattered more to him was that outsourcing would standardise processes globally, improving efficiency and cutting costs. He would not share numbers, but says Genpact outperformed within the first six to seven months and improved processes like payments and collections dramatically.

Even Genpact's rivals are impressed. "It is the largest standalone BPO in India and carries off the positive baggage of GE," says Sandeep Agarwal, Executive Vice President, Serco. "It has had stable growth all through. It is listed on the New York Stock Exchange, which no other BPO company that size is."

The GE lineage is unique to Genpact, and GE remains its biggest client contributing about 30 per cent of its revenue.

Mark Dzialga, Managing Partner at General Atlantic, and Denis Nayden, Managing Partner at Oak Hill, say they have been "very happy" with the company's performance over the years and believe that Genpact has much potential to grow.

The company's commitment to clients and its efforts to grow its business through acquisitions are other reasons for its success.

Soon after taking his new role, Tyagarajan shifted his office from Gurgaon to New York to be closer to clients. On average, he attends three to four client meetings a day and travels about six months in a year meeting customers. In fact, about half of Genpact's leadership is based outside India, which makes sense, since India contributes less than five per cent of its revenue.

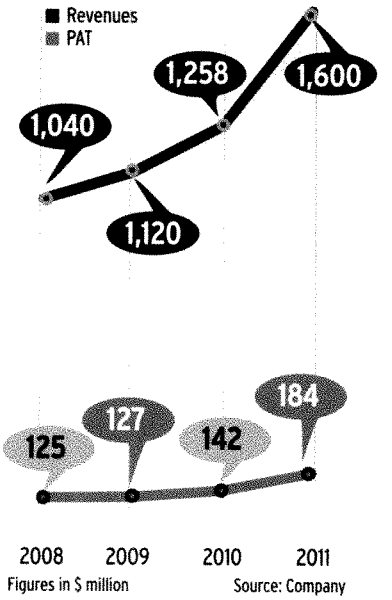
Mohit Thukral, global head of financial services and healthcare, recalls a US-based insurance client, which in 2006 sought Genpact's help to clear its underwriting backlog. It took Thukral's team more than one-and-a-half years to build an actuarial business model. And guess what? The product improved the insurer's sales by $10 million and its underwriting capacity by 30 per cent.

There have been difficult phases as well. A particularly poor run came in 2010 when Genpact seemed to be in a rut. Clients wanted IT support as well from Genpact, alongside its BPO work, which it initially could not provide. In the last two years, however, a string of small deals have helped Genpact build capabilities in analytics, social network and marketing. And last year, it acquired US-based IT company Headstrong for $550 million. Now, 25 per cent of Genpact's revenue comes from IT.

"Clients are not talking about processes or IT," says Sandeep Sahai, head of IT at Genpact. "They are asking how to do business better."

Tyagarajan says equity funds love companies with strong cash flows and revenue growth, as well as a business model that focuses on understanding clients' requirements and delivering accordingly – all of which Genpact has. Still, it is early days for Genpact – the days of investing and building the company are not over, he adds. ◆

MOVING UP



Figures in $ million
Source: Company

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OLD DIET, NEW RECIPE

Lessons from the first effort in an urban area to transfer cash directly to the poor in lieu of subsidised foodgrain.

By SEBASTIAN P.T.

ADITYA KAPOOR/www.indiatodayimages.com

I want it back," says Sharada Begum. The 67-year-old woman is a member of one of the 100 households of Raghubir Nagar, a resettlement colony in west Delhi, chosen to participate in a pilot scheme that aimed to turn the public distribution system (PDS) on its head. Through all of 2011, these households had ₹1,000 transferred every month to a woman member's bank account in lieu of rice, wheat, sugar and kerosene at subsidised rates from fair price shops, as they had been getting. Funded by the United Nations Development Programme (UNDP), this Delhi government project aimed at testing the viability of giving food subsidy to those below the poverty line – all the Raghubir Nagar beneficiaries had 'below the poverty line' (BPL) ration cards – while circumventing the notoriously leaky PDS.

The scheme was inspired by similar such efforts in South America, particularly Brazil's *Bolsa Familia* programme (see *Learn It from Rio*), which have been fairly successful. Similar 'cash transfer' schemes have been tried out in other parts of the country in the past decade, notably the centrally funded Dhanalakshmi programme being implemented in more than half a dozen states since 2008/09, which provides cash to families against evidence that they have been taking good care of their girl children – immunizing them, sending them to school and so forth. There is the much-discussed Bihar government scheme that gives high school children money to buy bicycles. But the Raghubir Nagar initiative was the first in an urban setting to provide cash in lieu of PDS entitlements.

There is no doubt that, in many parts of the country, the PDS is in a shambles. There is "large scale corruption resulting from diversion and

PIONEERING STEP

The cash transfer pilot project at Raghubir Nagar, Delhi

100
BPL families
chosen

Each family got
₹1,000
per month
in lieu of PDS for a year (2011)

Money credited directly
to the bank account of the woman

Next pilot projects in Delhi's
Jahangirpuri, Sangam Vihar & Rajiv Nagar

Sharada Begum, 67 belongs to one of the 100 families of Raghubir Nagar which were included in the pilot scheme. In the background is her husband Abdul Jabbar and to the left is her married daughter, who was visiting

WHERE THE GRAIN GOES

WHEAT
28.33 million tonnes
(Total procurement)

22.75 million tonnes
(PDS allocation)

RICE
31.8 million tonnes
(Total procurement)

26.13 million tonnes
(PDS allocation)

Figures for 2011/12
Source: Union Food Ministry

LEARN IT FROM RIO

Bolsa Familia (family stipend) is a conditional cash transfer programme launched in 2003. It is targeted at families with monthly per capita income of less than 140 Brazilian reais and covers 44 million of Brazil's 184 million people. The programme is designed by the federal government and implemented by the municipalities.

Families get 50 to 95 Brazilian reais per month, with the grant sent to the women head through a bank card. But this is only if conditions on education and health are met. For instance, children must be enrolled in schools with minimum attendance of 85 per cent for those aged six to 15 years and 75 per cent for those aged 16 to 17 years. For children under seven years, the vaccination calendar has to be followed. Prenatal care and monitoring of lactating women is mandatory.

The results have been impre-ssive. In 2006, income inequality was at its lowest in 30 years. In the three years since the scheme was started, 14 million people escaped poverty that translated into a 31.4 per cent decline. There was an increase in food spend, children's clothing, school attendance, while there was a decline in risk of child malnutrition and school dropouts.

ADITYA KAPOOR

Disillusioned lot: Women demanding better PDS in Jahangirpuri, Delhi

leakages of foodgrain," says the 2009 report of the Justice D.P. Wadhwa Committee, set up to examine PDS. The Planning Commission, in an estimate, has said 58 per cent of subsidised foodgrain does not reach the intended beneficiaries, while another estimate maintains that 36 per cent is simply siphoned off the supply chain.

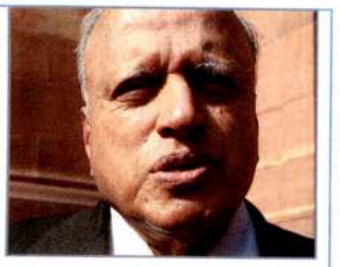
Raghubir Nagar residents too face the same problem. Sharada Begum complains she and her husband never get their quota of 25 kg of subsidised foodgrain and five kg of subsidised sugar every month. Supplies were also frequently late. "If we depended entirely on the fair price shops, we would starve," she says. She is delighted with the cash transfer scheme, and wishes it had never been stopped. Her family comprises her husband and herself, along with her married son and his family. (Three daughters have been married off and live separately.) Her husband, Abdul Jabbar, 71, a retired dye maker, has a troublesome stomach ailment. "While the scheme was on, we could buy good-quality grain and other food items from the market," she says. "The leftover money came in handy to buy medicines for my husband."

Other beneficiaries echo her sentiments. "The time saved was the biggest relief for me," says Anjana, 40, a widowed nurse who supports two college going children. "I just do not have the time to keep going repeatedly to the fair price shop to check if supplies have arrived," she says. "The scheme was a great help but I wish the amount had been higher, say ₹1,500 a month," says Leela, 64.

Many state governments have seen the benefits of this new route to an old goal. "Our success with cash transfer schemes shows it can hugely reduce corruption," says Bihar Deputy Chief Minister Sushil Kumar Modi. The Delhi government is likely to launch three more pilot projects soon.

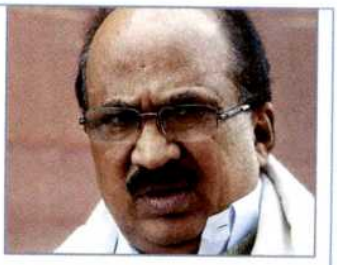
The Cons

But that is not the complete picture. While Sharada and Anjana at least have pucca houses, Reshma, 35, also from Raghubir Nagar, lives in a slum. But she refuses to participate in the scheme. She articulates a fear often expressed by planners and social workers who oppose cash transfers. "The money will get spent on things other than food," she says. "We don't want cash." Opponents of cash transfer say the Delhi government's precautionary step of deposit-



"The removal of PDS or substitution of grain by cash will affect farmers adversely"

M.S. SWAMINATHAN
Agricultural Scientist



"If we shift to cash transfers, who will see to it that the MSP is maintained?"

K.V. THOMAS
Union Food Minister

"Our success with cash transfer schemes shows it can hugely reduce corruption"

SUSHIL MODI
Deputy CM, Bihar

ing it in the woman's bank account is not enough to ensure her control over how it is spent. "The men will snatch the money and use it for drinking and gambling," says Jagadish Bharti, another resident. "There is little the woman can do. The children will starve." There is also the fear that, in these inflationary times, those accepting cash transfers could get short-changed if the amount transferred is not regularly increased.

cent was allocated to PDS. If the government stops procuring at a minimum support price (MSP) every year, won't foodgrain prices crash, hitting farmers? Many may give up farming, affecting food production. "Personally speaking and not as a minister, I am not in favour of cash transfers," says K.V. Thomas, Union Food Minister. "If we shift to cash transfers, who will see to it that MSP is maintained?"

Experts agree. "The removal of PDS or the substitution of grain by cash will affect farmers," says noted agricultural scientist M.S. Swaminathan. "If interest in procurement goes down, production will suffer. We will not be able to implement the legal entitlement to food enshrined in the Food Security Bill. We will revert to a ship-to-mouth existence, dependent on imports." Investment in essential post-harvest infrastructure like storage will also be hit, he adds. N.C. Saxena, a National Advisory Council member, is just as emphatic. "Large-scale substitution of PDS by cash transfers is not feasible, as foodgrain purchased from farmers through the MSP mechanism needs an outlet for distribution."

Other analysts note that transplanting a scheme successful in Brazil on the Indian soil may not give the same results since the conditions in the two countries are different. "Poverty rates are much higher in India," says Reetika Khera, a development economist at IIT Delhi, who has studied Brazil's *Bolsa Familia* programme closely. "Nearly 70 per cent of Indians live in rural areas, while in Brazil it is only 14 per cent. Brazil has almost universal literacy and very low levels of under-nutrition among children. Cash transfers can be useful in the case of pensions, fertiliser subsidy and the like. But not as food subsidy." Besides, Brazil has not abandoned food transfers, but continues with them alongside the cash transfer scheme.

Perhaps a mix of both cash transfers and the traditional PDS would be the best solution. As Tamil Nadu and Chhattisgarh have shown, PDS is not beyond repair and can function efficiently if there is the will to make it work. ◆

PDS IS NOT BEYOND REPAIR AND CAN FUNCTION EFFICIENTLY IF THERE IS THE WILL TO MAKE IT WORK

There are also major implications for the wider economy if cash transfers move from pilot projects to being the norm. What will happen to the PDS, built over decades? Should it be abandoned simply because of its deficiencies? Why not instead try to reform it by plugging its leaks? And what will the government do with the mountain of foodgrain it procures every year, if it does not distribute it through PDS? In 2011/12, for instance, of the 28.33 million tonnes of wheat procured (see *Where the Grain Goes*), 80 per

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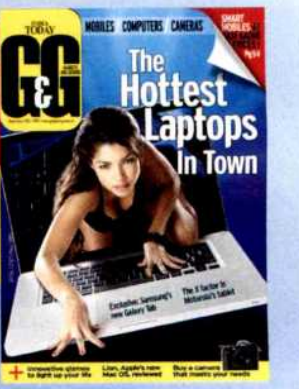

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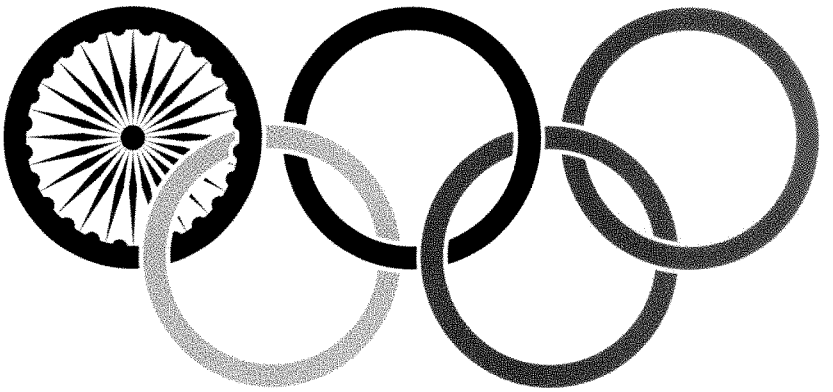

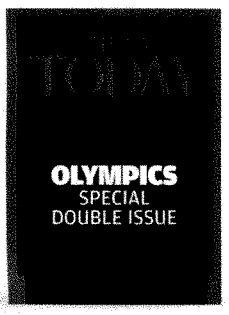

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Making Sense of India

LAST BUT NOT LEAST

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Midnight Express Delivery

Manasi Mithel on the trials – and the rewards – of taking gifts to people's doorsteps late at night

Tough job: A delivery boy carrying a bouquet late at night in south Delhi

ADITYA KAPOOR/www.indiatodayimages.com

Three months ago, Vivek Prasad, 32, a delivery 'boy' at the Vasant Kunj, Delhi, outlet of Ferns N Petals (FNP), a leading flowers-and-gifts chain, set out on foot at around 11.30 p.m. to deliver a bouquet of flowers, a box of chocolates and a teddy bear at a nearby address. Well before he could reach, however, the street dogs got after him. They chased him all the way to the colony he was headed for. "I had to call the security guard of the colony to the gate to protect me and escort me to the right house," he says.

Such incidents are all in a night's work for Prasad, who is just one of the 250,000-odd people this industry employs. The practice of door-to-door deliveries of flowers and gifts, mainly on the occasion of the recipient's birthday or wedding anniversary, is relatively recent in India, having begun only about 15 years ago. "Before this it was only five-star hotel guests or their regular customers who had flowers delivered at their door, courtesy the hotel management," says Gaurav Marya, Chairman, Indian Franchise Association.

Deliveries at the stroke of the midnight hour are a still more recent phenomenon, barely a decade old. But they are rapidly growing in popularity. Of the 150-odd deliveries FNP makes in the National Capital Region daily, for instance, around 10 to 12 are late at night.

While there is no separate revenue break-up for late night deliveries, the total organised market in gift deliveries is currently around ₹500 crore, growing at 25 to 30 per cent a year. There are 27 organised players who deliver across most of the big cities, no matter where the order is placed from. Yet the organised sector is only five per cent of the total. Most people still source such gifts from the friendly neighbourhood florist, whose reach, though, may be limited.

The organised players mostly employ the franchisee model. FNP, for instance, has 126 retail outlets across the country of which it directly owns only 15, the rest are franchises. The gifts delivered, be they flowers, chocolates, cakes or toys, are sourced in bulk from whole-

PRETTY PICTURE

The flowers and gifts delivery business in India

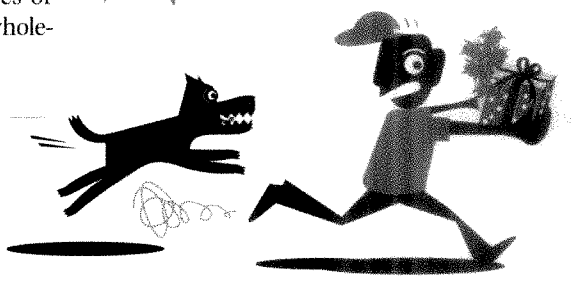
SIZE
₹500 crore in the organised sector

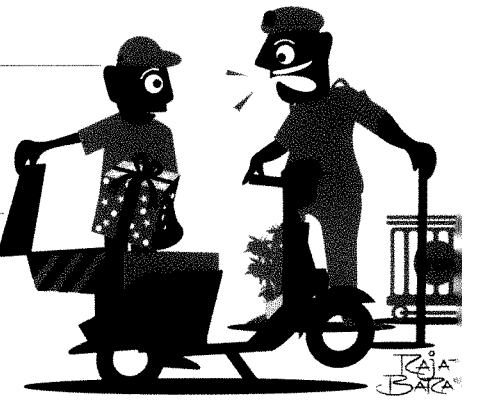
GROWING AT
25-30%

NUMBER OF ORGANISED PLAYERS
27

WHAT IT COSTS TO SEND SUCH GIFTS
₹50-2,000

The boys making late night deliveries are often chased by strays, sometimes in packs





Policemen manning barricades are known to harass delivery boys

salers. 'Boys' like Prasad are paid per delivery – for midnight trips they get between ₹100 and ₹300 per trip, depending on the distance covered.

And hostile packs of strays are not the only occupational hazards. The two-legged variety of animal can also cause problems. Policemen patrolling the streets or manning barricades at night often trouble delivery boys no end. "There was a time when I used to accompany my boys making late night deliveries because few were willing to face police questioning on their own," says S.S. Baghel, CEO of the gift delivery portal, Phoolwala.com. "But now, with more people placing and receiving such orders, things are changing." Organised players have also given their delivery boys identity cards to save them from police harassment.

Recipients unused to late night deliveries are also sometimes extremely suspicious. Once, while delivering an anniversary surprise gift late at night from a husband to his wife, who was temporarily with her parents in Bangalore, Baghel had to confront the angry father who opened the door. "The old man said he suspected the package was a bomb and wanted to call the police," says Baghel, laughing.

At other times tact is required. "One of my delivery boys had to wait for half an hour outside a customer's house for her father to fall asleep," says Anushree Sundareswara, owner of a Bangalore-based outlet franchised from the gift delivery chain, Florista. "He was delivering a package from the girl's boyfriend."

But once suspicions are cleared up, the delight expressed by recipients is also heartwarming. The angry Bangalore father, for instance, was transformed once his daughter, who had been sleeping, woke up following the loud noises at the front door. She arrived, quickly understood and explained the situation. "The father apologised to us, gave us tea and sweets and would not let us leave for a long time," says Baghel. Most touching, says the boys, are the responses of old parents who receive gifts from children living far away. ◆

Not everyone is pleased with the midnight knocker, despite the gift he brings. Many yell at him and, having taken the gift, slam the door in his face

CATERING TO COMPANIES

It is not only individual customers the organised gift delivery companies cater to. Corporate houses also use their services. One such chain is Beyond Petals which, in barely two years of existence, has roped in clients such as Reliance Life Insurance (owned by the Anil Dhirubhai Ambani Group), HDFC Bank and Glenmark. "We are growing at 150 per cent year-on-year," says Amitabh A. Banerji, its founder. "Last year we delivered 500 to 600 gift packages to HDFC Bank's dealers and distributors. Last Diwali we sent out 1,700 gift boxes on behalf of Reliance Life Insurance to their advisors, sales and branch managers."
The company also offers a customer relationship management service, which helps companies keep track of birthdays of their employees and clients, charging between ₹1 and ₹6 per employee per year.

Send your comments to
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JOEL RAI

In Your Face

Facial recognition technology will be the password to the future

If you own an Android phone, you must surely be aware of a unique unlocking process in the recently released Ice Cream Sandwich version (v4.0). You need only stare at the screen of your locked device, and it comes to life all by itself. The front-facing camera of the device scans your face and references it to the image you created while setting up the security process. If there is a match, the phone unlocks on its own.

By making face recognition an optional security feature, Android Ice Cream Sandwich has followed the growing trend of using human attributes as passwords to allow access to private information. Face recognition science is neither new nor is it perfect yet. The first attempts to pinpoint a set of unique markers for each face were made in the 1960s. But the technology has got better now, with experts reporting 90 per cent accuracy.

Be it basic face detection – a widely used feature in compact cameras – or more detailed scrutiny, used in national security and policing, the process is the same. A face is scanned by a computer or a device, broken up into structures and measurements – such as skin colour, distances between the various parts of the face, etc – and these peculiarities are then compared to those in a database. If the infobank has a corresponding set, identification is achieved and locks spring open.

Like Androids, Toshiba laptops too sport this feature. The webcam stares at you to ascertain it is indeed you who wants to access its data treasury. Apple uses face recognition in its iPhoto service and is now patenting a new 3D system that it might use as a lock breaker in future iOS versions. Samsung's latest TV lets a recognised face access apps and the face owner's Skype account.

A couple of years ago, I came across a prototype monitor in Singapore that used face algorithms to determine whether the person in front of it was a man or a woman. The science that went into this has in all probability inspired Intel's proposed set-top box, slated for release at the year-end, which will identify the couch potato as male or female, child or adult, and stream appropriate advertisements on the TV. Apparently, service providers are not too happy at the prospect as they fear advertisers may baulk at their products being separated into four narrow – and at times, inappropriate – channels.

Recently, Facebook, which has over 65 billion images in its database, announced it would make facial recognition a default feature. Using the same tags people use to identify faces in photos uploaded on the site, Facebook will be able to name people whose pictures are put up on its walls and albums. The scary thing is that you are likely to be identified not only by your friends but just about anyone. Suppose you see a pretty girl at a mall and decide you would like to know her name, whether she is single, and so on. All you need do is take a photo of hers with your mobile phone and load it on Facebook. In an instant, a name will be suggested. And though the networking site gives you the option to uncheck yourself from this feature, it does not mean that your face is erased from its system – the database continues to silently track your face in any picture uploaded on the site.

Whatever the ethical debate, face recognition is an inescapable part of the future. Sure it threatens your privacy, but it will also secure your phones and laptops, stop intruders from entering your home, and catch disguised terrorists. ◆

The writer is Executive Editor, Gadgets & Gizmos

SHAMNI PANDE

Deciding Factors

To take better decisions, understand how decisions are made

People are very emotional about business," Future Group chief Kishore Biyani recently told *BT*. I have heard many consultants and business heads say the same. Recently, I met Franz Heukamp, Secretary General of IESE Business School in Barcelona, Spain, and his take on the subject was fascinating.

Heukamp, who also teaches Managerial Decision Sciences at IESE, confirmed Biyani's view. "Executives are surprised when this becomes clear as we help them delineate the process of decision-making," he said. "They admit to not having been aware of their decisions being affected by sentiments."

Sentiment also leads many to defer certain decisions. Those who do so fail to realise that postponement often has financial costs as heavy as those incurred from taking risks – which go wrong. Heukamp has also worked on the trade-off between risk and delay. "I have conducted a neuro-economics project on this involving brain scanners," he said. "Though it is the same side of the brain that responds to both risk and the time dimension, people tend to act more swiftly when there are financial risks involved rather than when merely time is being wasted."

Successful executives try to focus their thinking on key issues, keeping personal biases and sentiments out of the picture. The following tips could help you make your own thinking more structured:

Face Yourself First: Research shows that the key to taking good decisions is having a high degree of self-awareness. Figure out your motivations, your past baggage, your hot buttons. Observe yourself when you take decisions. If you notice uncomfortable physical effects – pounding heart or sweaty palms, for instance – it means the decision is stressing you out because there are emotions at play. "Most managers like to think of themselves as perfectly rational beings," says Heukamp. It takes courage and persistence to pinpoint one's own triggers and examine them.

Draw a Tree: Experts believe that drawing a 'decision tree' with all the causes and effects of a particular decision set down in writing is a good starting point. People who do so find their thinking becoming a lot more structured.

The Big Picture: It is important to realise that the brain responds to immediate provocation much more vigorously than to concerns of the future. But if executives are to take reasoned decisions, they must curb the tendency to react immediately. "Our first challenge is to resist being reactive," says Tony Schwartz, President and CEO of the Energy Project, and a bestselling author. "Many of our worst decisions occur after we've been triggered – meaning pushed by something or someone into negative emotion and we have reacted instinctively, fuelled by stress hormones."

Arvind Uppal, President, Asia Pacific, Whirlpool, is credited with having steadied the company after it was hit hard by its competitors. "When some decision pays off, it appears as though unusual effort must have gone into reaching it. But I tell my people that if a solution is not a simple one, it means something is clearly not all right." When Uppal came on board, he was given the choice of radically overhauling the company and even changing its direction, but he preferred not to. Instead, he relied on the company's inherent strengths and existing resources.

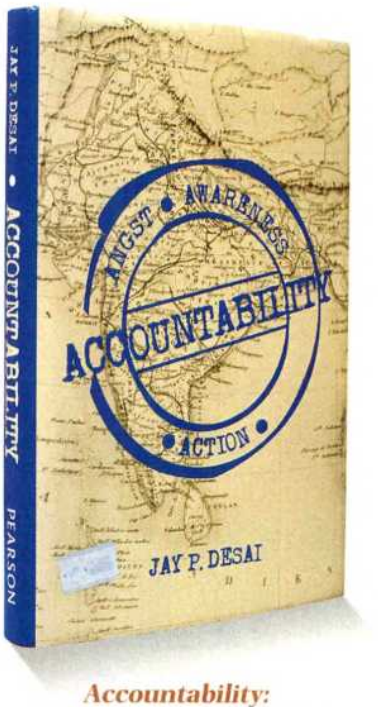
Thus, while taking a decision, do not be led astray by extraneous considerations. Also, in business, as in life, ask about every decision: will it result in a greater good? ◆

Called to Account

The book analyses accountability in public life and suggests ways of increasing it

The timing of this book could not have been better, given the current yawning governance deficit in the country. Author Jay Desai analyses the concept of accountability: how it arose in India, whether it can be measured, how strong our existing accountability mechanisms are at present, and so forth. Though heavily academic, rife with historical references and a socio-economic perspective, this is also a deft and precise work.

Desai says the concept of accountability has been ingrained in India's political system right from the Vedic Age, when the king used to be accountable for his decisions to the 'Sabha' or the 'Samiti', whose modern-day equivalent would be the Lok Sabha. Coming to the present, he delves into the accountability mechanisms that govern the legislature, executive and judiciary, closely examining institutions like the Comptroller and Auditor General of India, and offering suggestions on how to make them more effective.



Accountability: Angst Awareness Action
By Jay P. Desai
Pearson
Pages: 193
Price: ₹500

There is ample research and statistical analysis, but the writing does tend to get cumbersome and tedious at times. The arguments offered and suggestions provided to enforce greater accountability also come across as somewhat theoretical. Perhaps this is because the author, a management consultant, has spent much of his working life interacting with the corporate sector rather than politicians. In any case finding solutions to an endemic problem like governance deficit is a daunting task.

The author's 'correlation analysis' offers a refreshing perspective on impact of socio-economic factors such as per capita income, social individualism and social hierarchies, on the quality of governance. It is particularly fascinating to find that factors such as voter turnout in elections, social diversity within a country, or the size of a country's population have a weak correlation with governance.

Desai identifies four 'foundations' of accountability: appropriate representation, participative conduct, legitimate conduct and liability enforcement. He also identifies the six 'I's or inadequacies which undermine these four foundations: inadequate information, inadequate impartiality, inadequate implementation, inadequate infrastructure, inadequate independence and inadequate involvement. He goes on to suggest ways in which the six 'I's can be reduced.

But some of the ideas he suggests such as creating a centralised, single platform source of information on all flagship government schemes, ministries providing a comparative analysis of the funds allocated to them, or an independent agency to oversee appointments and transfers, seem somewhat out of touch with the challenges on the ground.

The information collected is impressive – the bibliography of each chapter even more so – but the book's overall approach is rather staid. Fresh, practical ideas are missing. The author does make references to institutions and best practices abroad, but not enough of them. The cover too appears designed to provoke, but fails to do so. Within, the typeface is cramped, making reading an arduous task. ◆

SHWETA PUNJ

The arguments offered and suggestions provided to enforce greater accountability come across as somewhat theoretical

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Room in the Middle

The survey shows hiring sentiment, especially at the middle level, remains upbeat. But there are warning signs, says Shamni Pande

The global slowdown matters little to Rana, a young electronics engineer with a leading infrastructure company in Delhi. He still gets job offers every other day. But he prefers to stick to his current job because of the leadership role and learning opportunities it offers.

It is not just Rana. Despite declining business sentiment, the overall Employment Outlook Index (EOI) continues the upward trend earlier surveys had shown, inching up by one percentage point – from 73 to 74 – for the July to September 2012 quarter over the previous one, according to the latest *BT*-TeamLease Employment Outlook Survey (see also *Vote of No Confidence* on page 46). EOI is the difference between the percentage of respondents who expect hiring to increase in the coming three months and those who expect it to decrease.

In particular, companies are likely to replenish middle-level talent, which has witnessed a seven percentage point increase – from 35 to 42 – the biggest jump among all hierarchies. In contrast, the EOI for both entry-level and junior-level recruitment has fallen, by five and three percentage points respectively. Even companies that are stuck or facing a slowdown are not cutting back on hiring key talent in the middle to senior positions. "It is very difficult to find good talent at these levels, hence companies either try to retain their best or hire anyone who is good at that level," says T. Shivaraman, Managing Director and CEO of Shriram EPC, which provides turnkey solutions for water treatment and transmission, cooling towers, thermal power plants, etc.

Despite the overall economic gloom, three sectors expect increased hiring. Manufacturing and engineering posted a two percentage point increase in EOI – from 51 to 53. Infrastructure, and health care and pharma have grown by a percentage point each – from 65 to 66, and 68 to 69 respectively.

"There is a lot of activity in the manufacturing sector," says Sarada Jagan, Executive Director of human resources (HR) at Sanmar Group, which has businesses in chemicals, shipping, engineering and metals. "We find a good pool of engineering talent here and certainly there is hiring activity, as well as attrition."

Shivaraman is equally buoyant. "We are definitely hiring for our projects related to water and those which involve the government, though there is a slowdown related to the power segment."

The health care space is also booming, and is expected to touch $280 billion by 2020. It has emerged as one of the largest service sectors, with an expected gross domestic

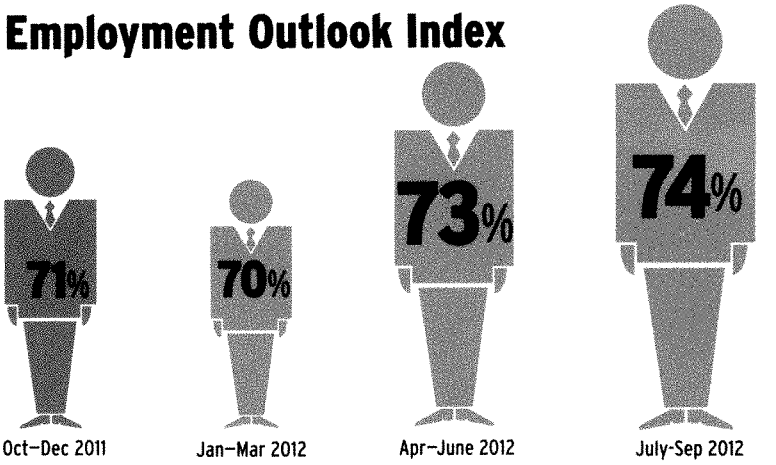
product (GDP) spend of eight per cent in 2012, up from 5.5 per cent in 2009. There has also been a steady inflow of foreign direct investment (FDI) worth $1.34 billion to hospitals and diagnostic centres. Data from the Department of Industrial Policy and Promotion (DIPP) shows the pharmaceutical, and medical/surgical appliances industry registered FDI inflows of $9.19 billion and $521.45 million respectively between April 2000 and March 2012.

There is a rush to expand among most major hospital chains, given the crippling shortage of hospital beds. According to a report by consulting firm Technopak, India has 13.7 lakh hospital beds, but only 50 per cent are functional. "There is certainly a huge demand for talent in the health care space as activity is ramping up," says P. Dwarakanath, HR head at Max India Ltd, which runs, among other businesses, Max healthcare centres in Delhi, Gurgaon, Noida and Punjab.

At 73 and 80 respectively, the retail and fast-moving consumer goods (FMCG), and telecom sectors expect to maintain status quo in hiring. "This is not surprising as these are maturing segments. There is a settled atmosphere in these spaces, given that there are no major upsets yet. People are being hired to compensate for attrition," adds Dwarakanath.

Geographically, hiring in metros remains strong, with Chennai recording the maximum growth.

Employment Outlook Index



Tamil Nadu Chief Minister J. Jayalalithaa has announced several infrastructure projects in the state, which may account for the optimism. These include the four-lane bridge connecting Tiruchirappalli to her constituency Srirangam worth ₹81 crore and the Chennai Peripheral Road project, estimated at ₹1,420 crore, that will connect Ennore Port and Mahabalipuram. The Nagarjuna Oil Refinery will also see an additional investment of around ₹12,000 crore, while the Tamil Nadu Industrial Development Corporation (TIDCO) has signed an MoU with GAIL (India) Ltd to float a new company which will invest around ₹10,000 crore in pipeline infrastructure and power projects. The auto and its ancillary industries in the state, with players such as Yamaha, Ford, Daimler and Eicher announcing a series of ventures, are also likely to hire liberally.

Full BT-TeamLease report at www.businesstoday.in/employment-outlook

"Our attempt was to get recruiters to share their concerns and give us the fine print in terms of hiring trends," says Sangeeta Lala, Co-founder and Senior Vice President, TeamLease. Which are the areas of concern? "Some of the traditional industries seem to have been insulated and they are growing and also hiring," she adds. "We clearly noticed a cutback in the support functions and services space."

However, leading education company Educomp Solutions bucks the trend mainly because spending on education is considered non-negotiable by most families seeking a better future. Following some attrition in the support functions, it has been hiring vigorously. "This year's first quarter has seen a net addition of around 50 employees. We expect to keep up hiring momentum for some of our key businesses that are witnessing a steady growth path," says Sanjay Jain, Group CEO, Educomp Smartclass, for instance, has added 40,023 new classrooms in 2011/12 compared to 27,154 in 2010/11. The other growth driver for the company has been its expanded presence in K12 schools.

The Process

The Employment Outlook Index was computed on the basis of the quarterly *BT*-TeamLease Survey, conducted this time among 604 respondents in eight cities - Mumbai, Delhi, Kolkata, Chennai, Bangalore, Pune, Hyderabad and Ahmedabad. The companies were selected from the Kompass directory for small, medium and large companies in the private sector, from NASSCOM for IT companies, from companies registered with *www.bpoindia.org* for ITeS companies, and from the BSE for financial companies. The respondents were HR heads or decision-makers in hiring-related matters.

While the process of hiring and attrition runs its normal course across business divisions, companies are making a conscious attention to hire productive talent and retain it. Market conditions require divisions to realign resources to improve efficiencies in accordance with profitability targets.

Yet, though not reflected by the EOI, the slowdown has begun to have some effect. Says E. Sudhir Reddy, Chairman and Managing Director at infrastructure giant IVRCL: "We find core infrastructure and construction work stalling with no hiring or starting of new projects."

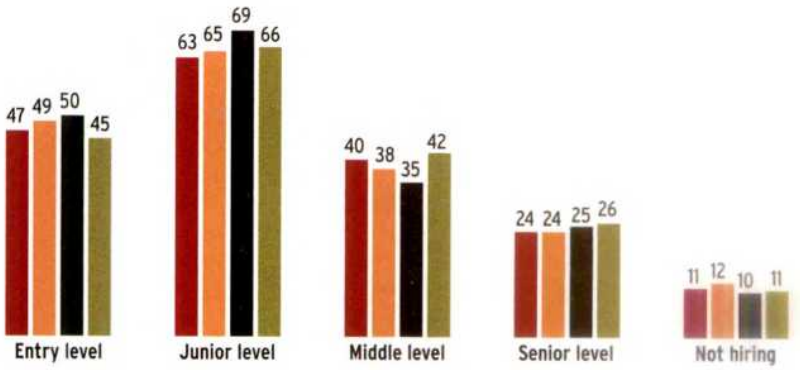
Shekhar Arora, Executive Director, HR Strategy, Ashok Leyland, the leading commercial vehicle manufacturer, is worried too. "I wish the sentiment of the last quarter had continued. Unfortunately, there are signs of slowdown," he says. Most auto majors expanded capacity last year but now, because of high interest rates and poor business sentiment, are turning cautious. "We have become careful. But we will be honouring all our commitments – especially those made during campus recruitments," Arora adds.

Meanwhile, in what appears a knee jerk reaction, information technology (IT), information technology enabled services (ITeS) and banking/financial services sectors expect a decrease in hiring. "We are certainly in sluggish mode, though we did hire up to nine per cent last year," says Mohan A.V.K., Executive Vice President and Global HR Head at EXL Service, which provides outsourcing and transformation services. He, however, remains optimistic, adding: "Sentiment will pick up in the last quarter of this year." ◆

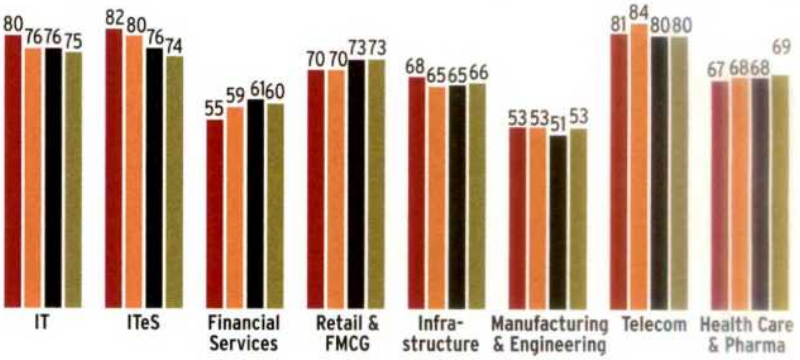
Send your comments to editor.bt@intoday.com

Hiring Intent by Hierarchy

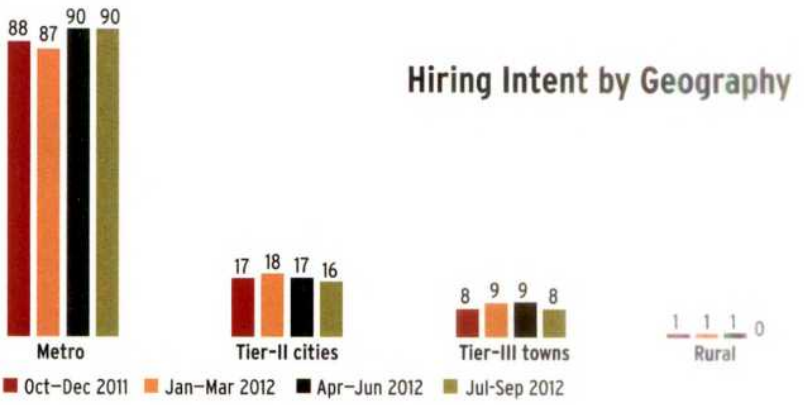
The biggest rise over the past quarter is at the middle level, from 35 to 42



Hiring Intent by Sector



Hiring Intent by Geography



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Job ID: 11629723
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Job ID: 11015534
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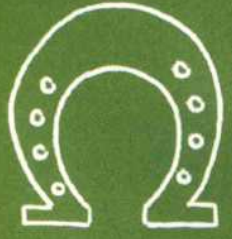

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Target Corporation
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Job ID: 11306085
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GlobalLogic India Pvt Ltd
Lead/Sr.Lead - QA
Location: Noida
Job ID: 11389367
Description: Ability and experience to technically lead QA projects.

IP Soft India Pvt Ltd
Network Administrator
Location: Bangalore
Job ID: 11371073
Description: Technically sound on Avaya Voice Technologies.

Fujitsu Consulting India Pvt Ltd
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Location: Hyderabad, Mumbai
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National Sales Manager
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Datamatics Staffing Services Pvt. Ltd.
Finance Head
Location: Hyderabad
Job ID: 11780810
Description: Must Be a CA with 14-18 years of total work experience.

iGATE Patni
Senior Associate - Finance
Location: Noida
Job ID: 11781714
Description: Excellent Communication Skills in English and Japanese and Email Writing Skills Knowledge of Accounts Payable.

Avtar Career Creators
Finance Officer
Location: Chennai
Job ID: 11781563
Description: Responsible for Management of treasury activities.

Capgemini
Financial Reporting (Hyperion)
Location: Mumbai
Job ID: 11765854
Description: Ensure timely submission from various Entities in Group Hyperion in accordance with the agreed input schedules.

ACS, Inc.
Taxation - Manager
Location: Chennai
Job ID: 11513358
Description: Should have worked in Direct Taxation and Indirect Taxation.

Fiserv
Financial/ Business Analyst
Location: Noida
Job ID: 11484291
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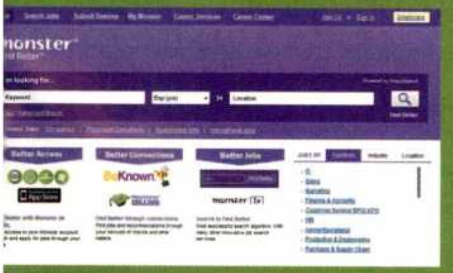

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The Indispensable

P. Chidambaram
Union Home Minister

A week before Pranab Mukherjee quit as finance minister to become the United Progressive Alliance's Presidential candidate, I spoke with a bureaucrat in New Delhi said to be close to Union Minister for Home Affairs **PALANIAPPAN CHIDAMBARAM.** With a grin, he revealed he had been getting an unusual number of lunch invitations lately from his colleagues, including many who were indifferent to him earlier. The implication was clear. Many in the bureaucracy expected Chidambaram to take Mukherjee's place, and were thus hurriedly renewing ties with someone they believed had access to him.

As it happened, Prime Minister Manmohan Singh decided to take additional charge of the finance portfolio. But Chidambaram is flourishing too, having been chosen to head the empowered group of ministers (EGoM) on telecom. Ironic indeed as the investigation into the telecom spectrum allocation threatened to consume Chidambaram on account of the role he played as finance minister in 2007/08, the period under investigation. There are also renewed rumours that the prime minister had only taken over temporarily and may soon hand over finance to him.

It is widely known that Chidambaram is far from being a frontrunner in any popularity contest among ministers. So how is it that the government finds him indispensable?

During a conversation two years ago, a former Cabinet minister and ex-colleague of Chidambaram's provided an answer. He admitted he disliked the man's "arrogance", but added in the same breath that every government needed people like Chidambaram, who frequently ask questions at Cabinet meetings that simply do not occur to the others.

Prime Minister Singh probably feels the same way. In late 2008, after Chidambaram was shifted from finance to the home ministry, and Singh – as he has done this time too – briefly took over finance, he ordered that key departments would continue to route their files through Chidambaram. He also ensured Chidambaram was included in the crisis management team formed following the recent troubles in Western financial markets.

A number of officials who have worked with Chidambaram are in awe of him. They say his work ethic is unmatched. He is also disdainful of protocol and hierarchy. He is ready to interact directly with anyone – even the juniormost officer – once he is convinced the person understands the issue and can provide insights.

Politicians are usually at their most obsequious on the campaign trail, when they seek votes. Not Chidambaram. On a scorching day in a village in Tamil Nadu's Sivaganga district in May 2009, for instance, Chidambaram was addressing a group of 30 to 40 people, primarily women. When a couple of presumably bored women began chatting among themselves, he interrupted his speech to rebuke them from the dais, urging them to pay attention.

Chidambaram is indeed a riddle wrapped in an enigma.

SANJIV SHANKARAN

ADITYA KAPOOR/www.indiatodayimages.com

Franck Fortet (R)
Vice President,
George V Eatertainment
Tarja Visan
Co-founder, Buddha-Bar

Barring the Buddha

Buddha-Bar, the global luxury dining and bar chain, will shortly open in Delhi, but its outlet here will not bear its name. It will be called simply 'B-Bar' so as not to hurt anybody's feelings, especially those of the Buddhists. "A few people in some countries had issues with the name," says **FRANCK FORTET**, Vice President, Development, George V Eatertainment, the Paris-based group that owns the Buddha-Bar brand. The Delhi outlet will occupy a sprawling 20,000 sq. ft., of which 12,000 sq. ft. will be the restaurant. Again, so as not to give offence, instead of the iconic Buddha statue it has elsewhere, the restaurant in India will feature a peaceful Samurai, sitting in a similar position. "We will have a special menu for India as we respect the countries we go to," says **TARJA VISAN**, co-founder of the chain. B-Bar plans to open 10 more restaurants in the country in the next decade.

DEARTON THOMAS HECTOR

VIVAN MEHRA/www.indiatodayimages.com

Pia Singh
Whole-time Director, DLF Ltd

Displaying Her Skills

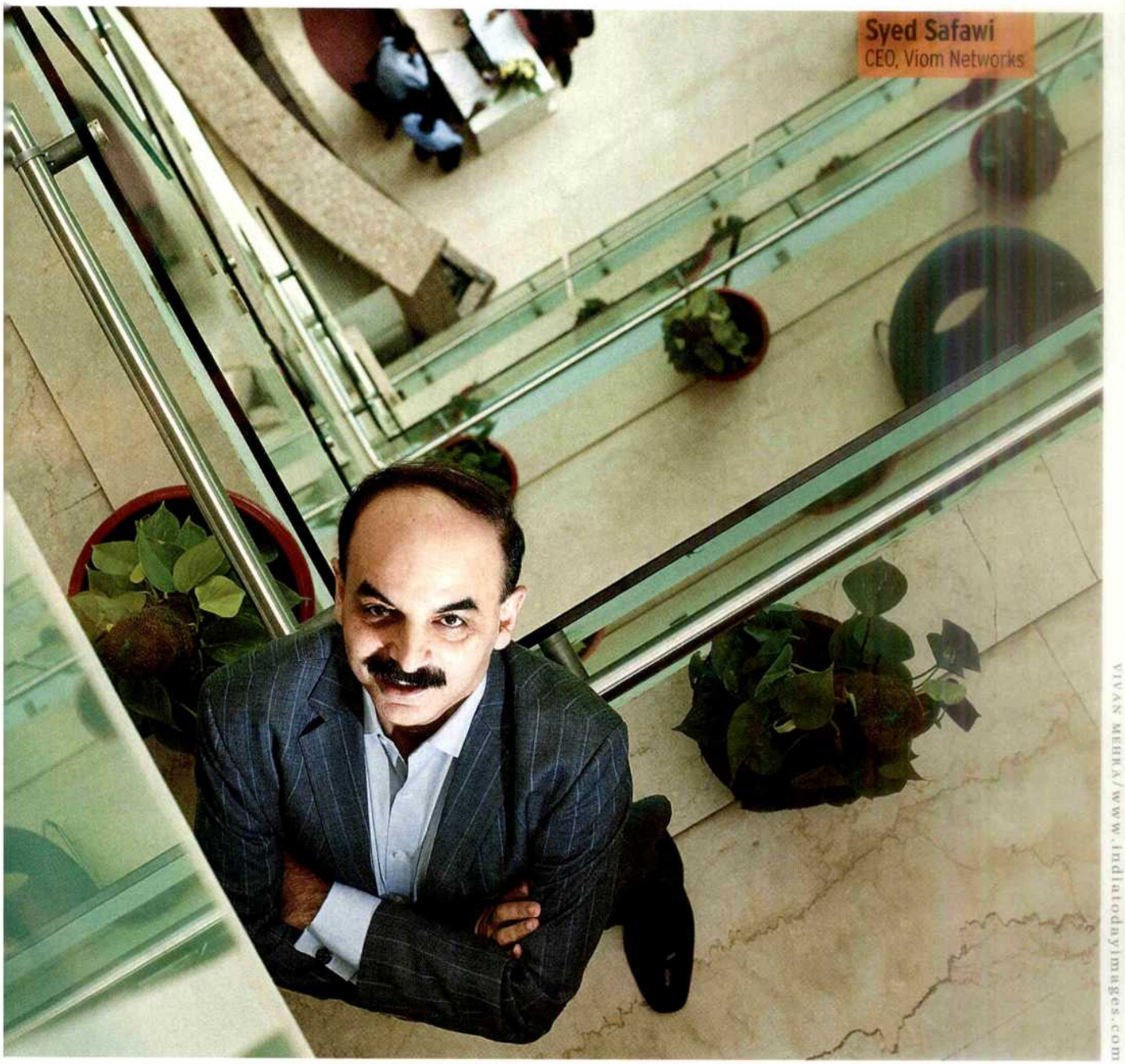
Her business savvy is already proven. It was she who spearheaded real estate giant DLF Ltd's foray into entertainment and retail. Now, **PIA SINGH**, 41, daughter of DLF founder and chief K.P. Singh, is moving into the skills development business. She has teamed up with business process outsourcing (BPO) industry veteran and former Genpact chief Pramod Bhasin. While the business model and financial arrangements are yet to be finalised, Pia and Bhasin are already in talks with the National Skills Development Corporation (NSDC) to explore the possibility of a public-private partnership. The sector offers vast opportunities, considering that, according to NSDC, the skills gap in 22 sectors will be close to 347 million by 2022. Singh studied at Wharton School in the United States and worked in the risk-underwriting department at GE Capital before joining DLF.

MANU KAUSHIK

With Renewed Energy

He has spent 25 years in the telecom business, having worked with the likes of Bharti Airtel and Reliance Communications, where he was CEO of the Mobility division. Now **SYED SAFAWI** has taken over as CEO of the tower company Viom Networks, a joint venture between Tata Teleservices and Quippo, a SREI Group enterprise. Safawi himself also holds some shares in Viom. He wants the company, which owns 40,000 towers, to start using renewable energy, as he believes this will reduce the expenses of telecom operators in the long run. "Alternative energy will become extremely important. It is the future," he says. "Our aim is to have 12,000 towers using green energy by next year." He is also keen Viom launches an initial public offering, and is negotiating with global operators to take the company overseas. ◆

SUNNY SEN



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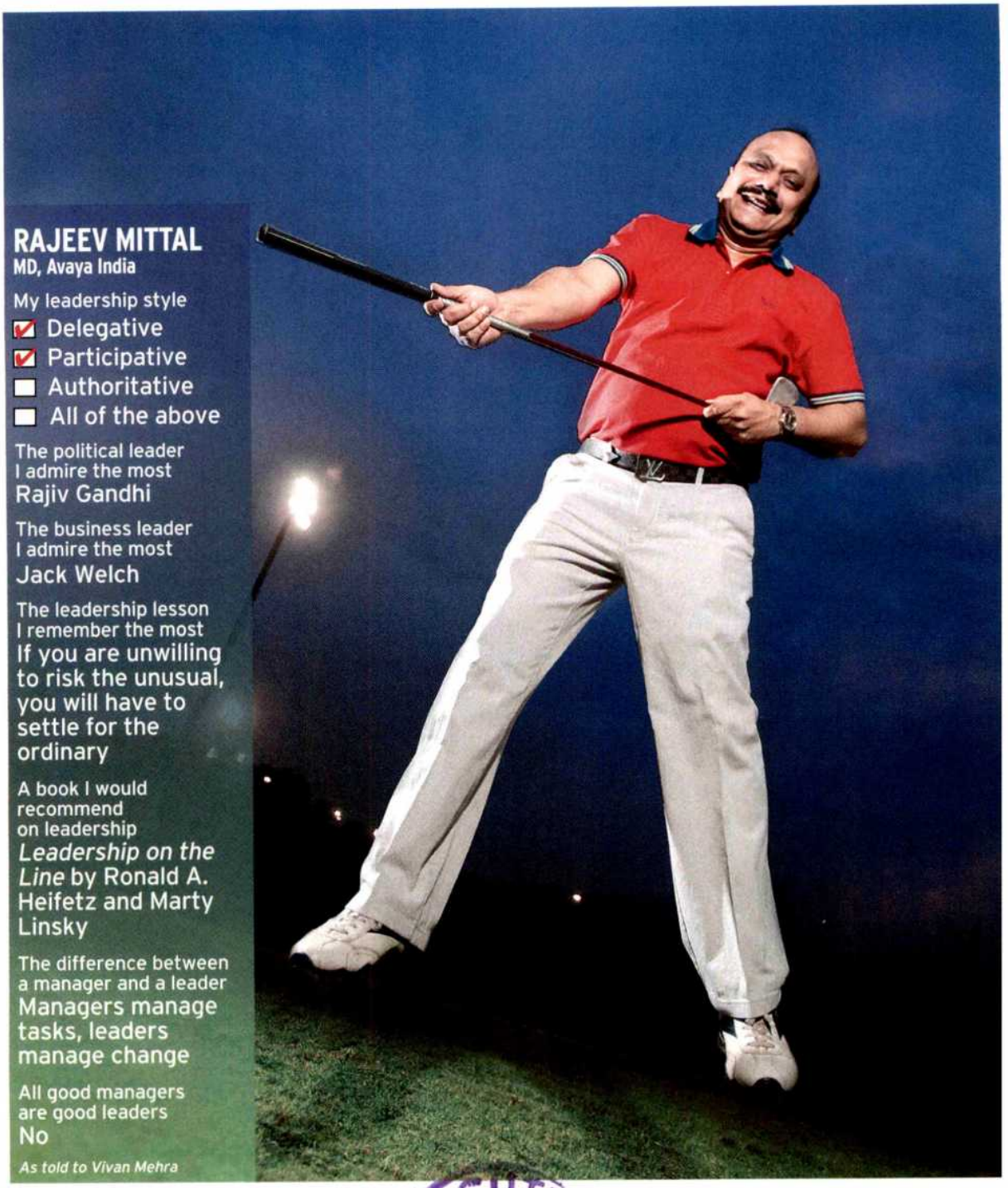

RAJEEV MITTAL
MD, Avaya India

My leadership style
- [x] Delegative
- [x] Participative
- [ ] Authoritative
- [ ] All of the above

The political leader I admire the most
Rajiv Gandhi

The business leader I admire the most
Jack Welch

The leadership lesson I remember the most
If you are unwilling to risk the unusual, you will have to settle for the ordinary

A book I would recommend on leadership
Leadership on the Line by Ronald A. Heifetz and Marty Linsky

The difference between a manager and a leader
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No

As told to Vivan Mehra

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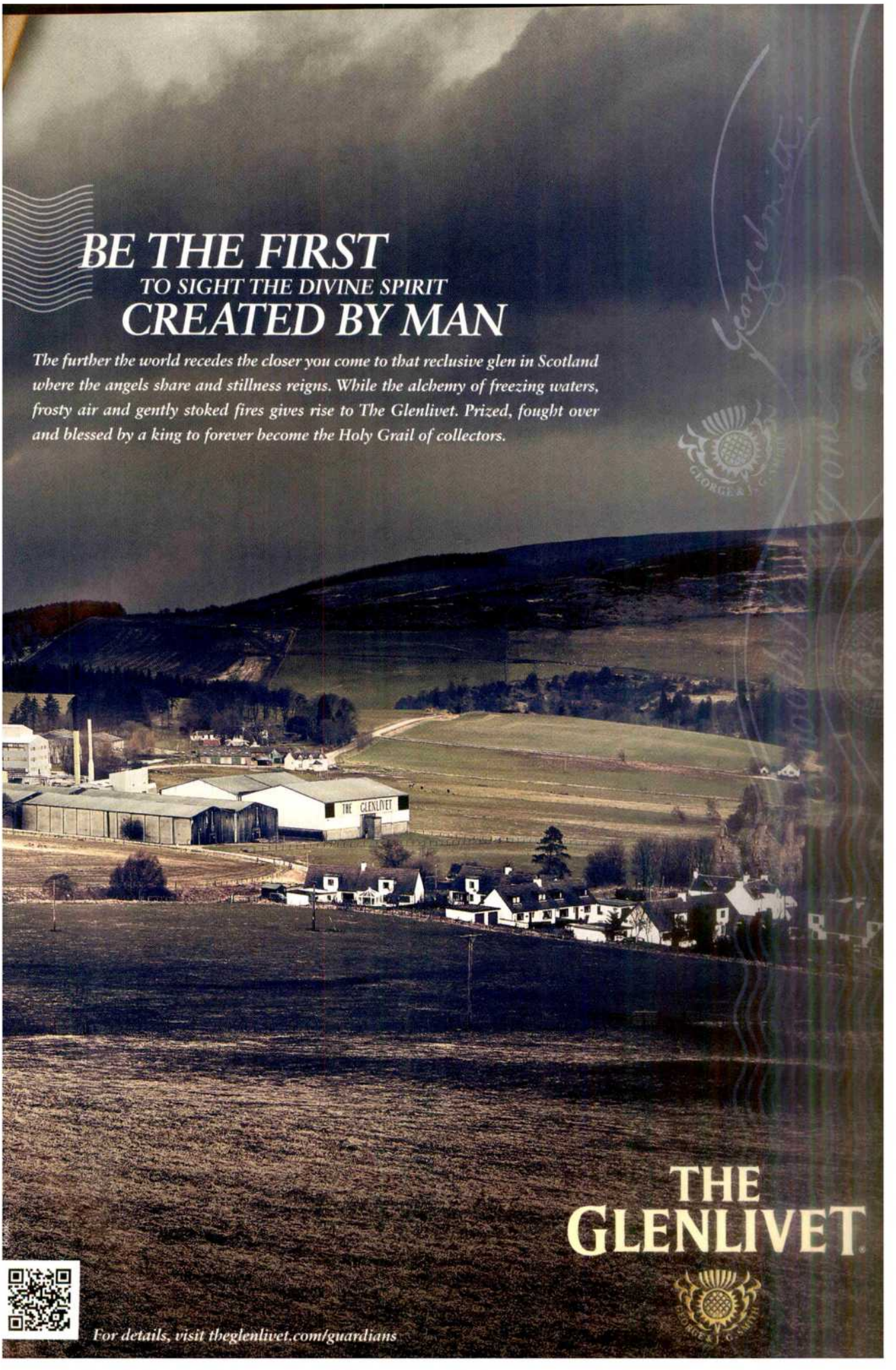
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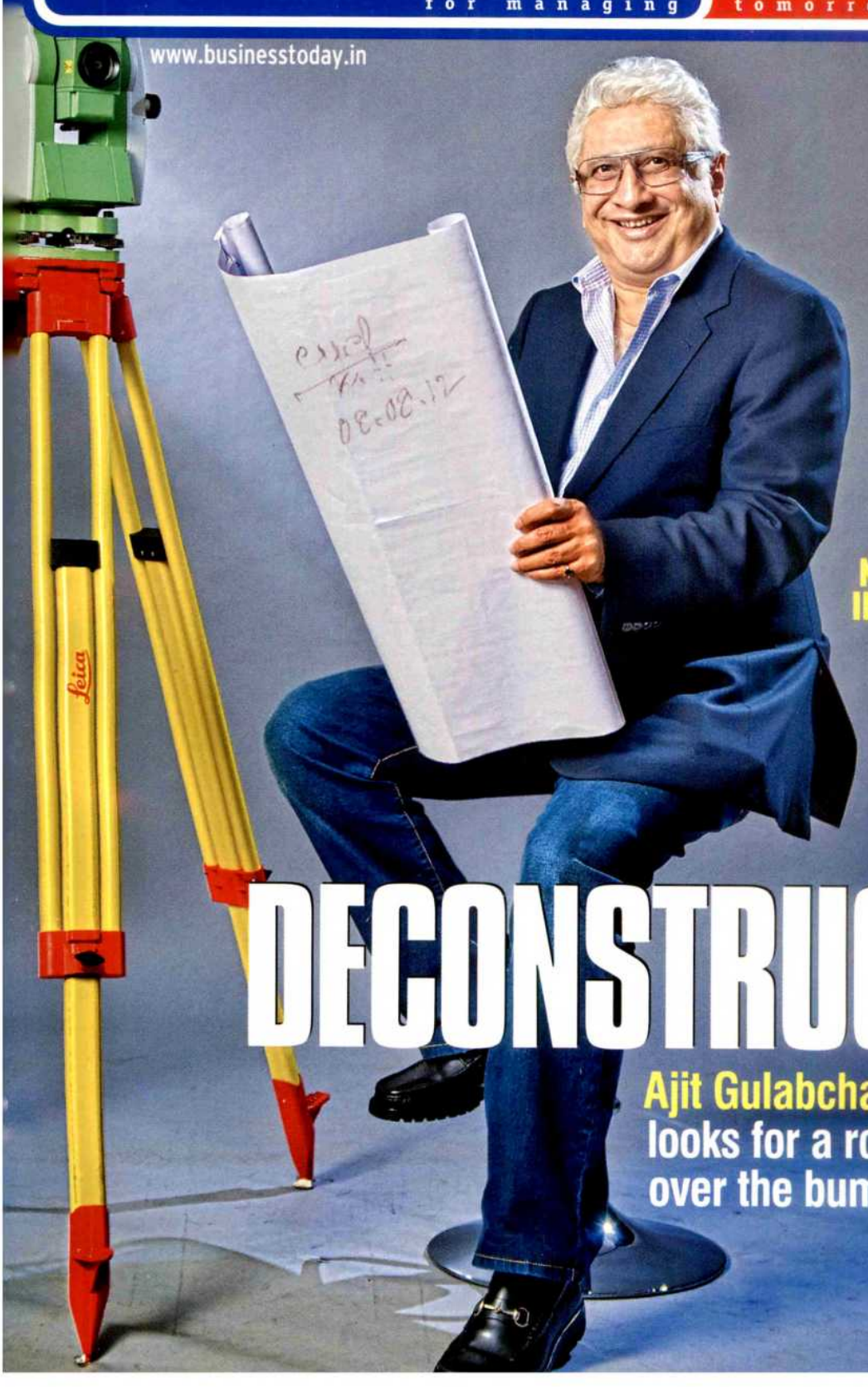

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Ajit Gulabchand looks for a road over the bumps

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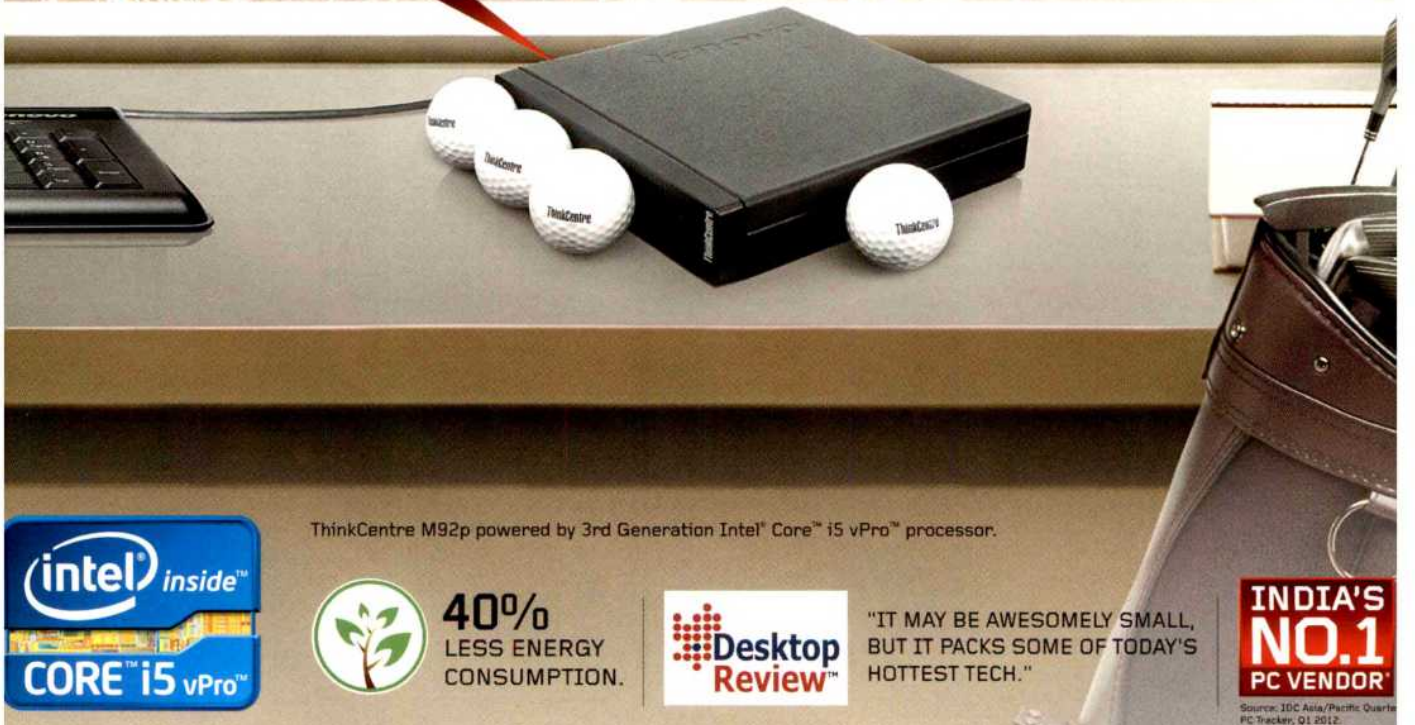

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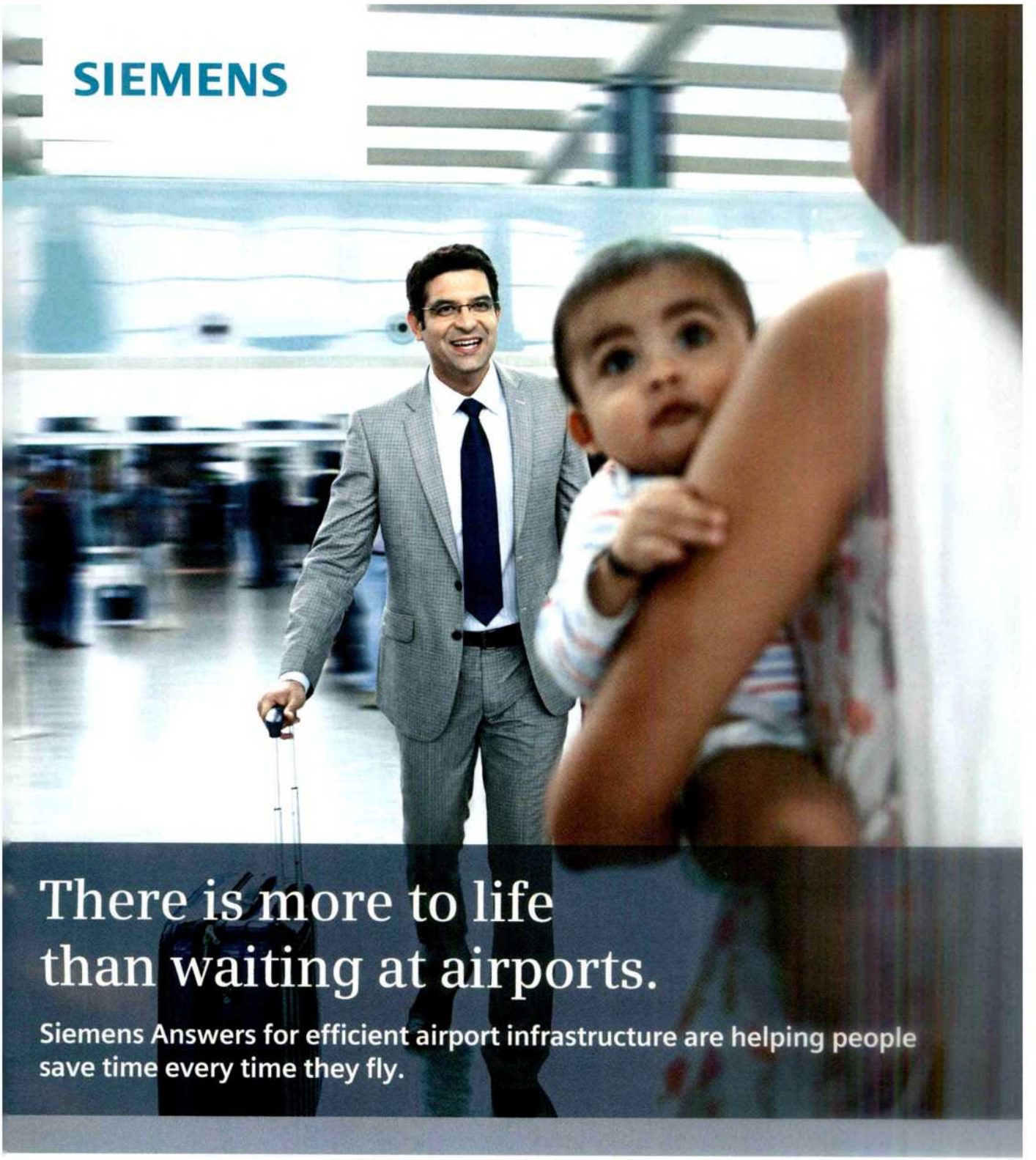

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From the Editor

The deeper we sail into the economic doldrums, the greater is the wonderment that there is so much locked-up promise in India that we cussedly ignore. Politics oozes from every pore of ours; we expect the economy to take care of itself. Over the past few months I have talked in great detail with a number of senior business leaders and marvelled at their tenacity and willingness to continue to place huge bets on the future, when they might do well to up stakes and head for the hills. For all the talk of the post-Pranab Mukherjee UPA reviving the economy, the comatose patient has only been given a couple of electric pinpricks; there are a few jerks and the limbs have again sunk into a stupor.

It is important that we not get caught up in navel-gazing. To that end, *Business Today* brings you the highest quality external perspective. Last fortnight we had Glenn Levine of Moody's Analytics on what needs to be done, in a hurry, on reforms. This fortnight we have two excellent columns. Leif Eskesen of HSBC paints a moderately optimistic picture of where India could go if it speeds up reforms (page 16), while Daniela Yu and Yamini Arora of Gallup do a sobering summary of a survey on the difficulties of Indian entrepreneurship (page 38). Let me underline a couple of numbers that leapt out at me: nearly one in two Indians say the government makes it hard to start a business. Nearly two-thirds of Indians "agree that corruption is widespread in business" and this perception is even higher among business owners and those who plan to start a business.

Nowhere is this more cruelly evident than in infrastructure, where it is now a tired cliché to hear the government say private-sector participation is crucial if we want to meet a $1 trillion minimum investment goal in the 12th Five-Year Plan. It is a world of rolled-up sleeves, hard hats, and harder realities. The government pretends to be a partner, but it is a demanding, petulant mistress. No man probably knows this better than Ajit Gulabchand, whose Hindustan Construction Company boasts of building a quarter of India's hydroelectric power plants and half of the country's nuclear plants, besides highways, tunnels and bridges. And, of course, the dream hill city of Lavasa, which has become a parable of zealot politician versus zealous business. Anand Adhikari wrote the analytical cover story on HCC (page 44), while Gulabchand sat down with me for an hour-long and frank conversation. He's made mistakes, but he is optimistic and believes India is the best place to be doing business. I think the best thing going for this country is its India-rubber men and women.

Every year *BT* runs a major cover story on innovation. It is an exhilarating challenge. The very word "innovation" is contentious. Is it a shattering new discovery, or making things better imaginatively? We decided to find out what "quiet revolutions" are taking place in our land. We focused on the most important pieces in our developmental jigsaw – education, water, energy, agriculture and health care. I am very proud of the package produced by the team of N. Madhavan, Anusha Subramanian, E. Kumar Sharma, K.R. Balasubramanyam and G. Seetharaman, and led by Alokesh Bhattacharyya, which starts on page 54. You will find these stories very inspiring; suddenly, all the bickering about reforms and policy paralysis fall away and you are drawn into the fascinating world of microeconomics. This is what makes India tick.

Talking about innovation, do not miss the amazing story about Haathi Chaap paper on page 126. The next time you write a love-note, spare a thought for entrepreneurs like Vijendra Shekhawat, who gives the words "getting his hands dirty" a flavour no business-school case study ever will.

Chaitanya Kalbag

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Super Survivors

The cover story (*How I Did It*, August 5) showcased the mettle of leaders who have coasted with victory bringing their companies out of troubled waters. It is not easy to make a comeback when the company is suffering from myriad problems like debts, slowdowns and losses. The headlines were interesting, as were the innovative ways to success described in the numerous stories.

Hena Jabeen, *Delhi*

Inactive leadership

Pranab Mukherjee has failed as a finance minister. (*Last Chance to Save the Economy*, August 5). There is inflation and his wrong policies have created hurdles in economic growth. The falling of the GDP to 5.3 per cent is a serious matter for a so-called future superpower. The UPA lacks good leaders and that is a major problem. National as well regional leaders need to rise above vote bank politics. If India has to get to the top, it needs leaders who can take bold economic and political decisions for the country.

Mahesh Kapasi, *Mumbai*

Corrections

A graphic accompanying the story 'Who's Afraid of Dry Days?' (August 5, Page 55) says the numbers relating to deficient rainfall are in millimetres. They are actually percentages of deficient rain.

The story 'Flight of the Phoenix' (August 5, Pages 69-70) says "Crompton Greaves has transformed itself...". It should have been 'Greaves Cotton'.
We regret the errors.

Send all your comments to editor.bt@intoday.com

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Pranab Mukherjee sworn in as 13th President of India: In short, India is doomed.
Ankur Gupta

Mamata slams petrol price hike, demands rollback: She is right. Why is government doing this so frequently.
Sanjay Kumar Sahoo

Ratan Tata makes case of reform, asks PM to restore govt credibility: Well his suggestions make sense. Reforms are the need of the hour.
Kumaran Avinashi

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vigmukesh

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Housing Hurdles

The article *Home Run* (July 22) mentions Ikea's reservations about the minimum 30 per cent domestic sourcing clause. Allowing foreign investors a reasonable time window to select and train domestic suppliers and help them attain minimum acceptable standards is a must. Also, the cap on the size of domestic suppliers is unrealistic as they are bound to grow with the support of the foreign partner. A better option would be to ensure minimum margins for them and ensure that they do not get exploited by the big retailers.

Varun Arya, *IIM Rohtak*

Varun Arya wins the prize for the best letter of this fortnight

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PHOTOGRAPH BY RACHIT GOSWAMI

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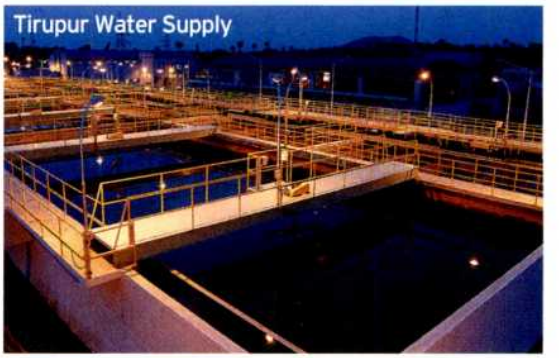
Kolkata Metro

Prime Tower Steine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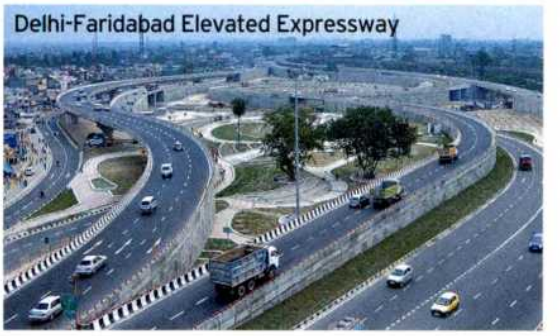
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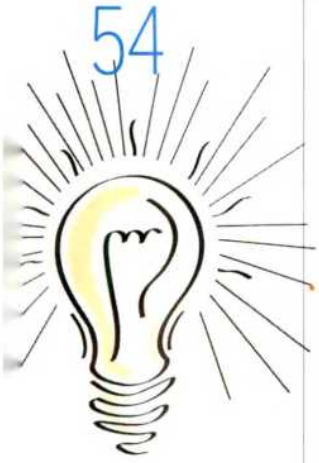

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Understanding HCC

Business Today's Editor **Chaitanya Kalbag** interviews HCC chief Ajit Gulabchand.

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Inside Track
In defence of consultants, by **Rajiv Bhuva.**
businesstoday.in/rajiv

Startup Today
Why e-commerce funding is drying up, asks **Taslima Khan.**
businesstoday.in/startuptoday

Shot Down
Vivan Mehra spends a day in the sun shooting Hiroshi Takashina.
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SMART READER CONTEST

Answer this simple question by August 22 and get a chance to win a Reebok bag.

How many towns will the Lavasa project near Pune comprise when it is complete?
(a) Three (b) Four (c) Five

Correct answer to July 22 issue's question:
The minimum size a deal should be to interest big investment banks: (b) ₹200 crore
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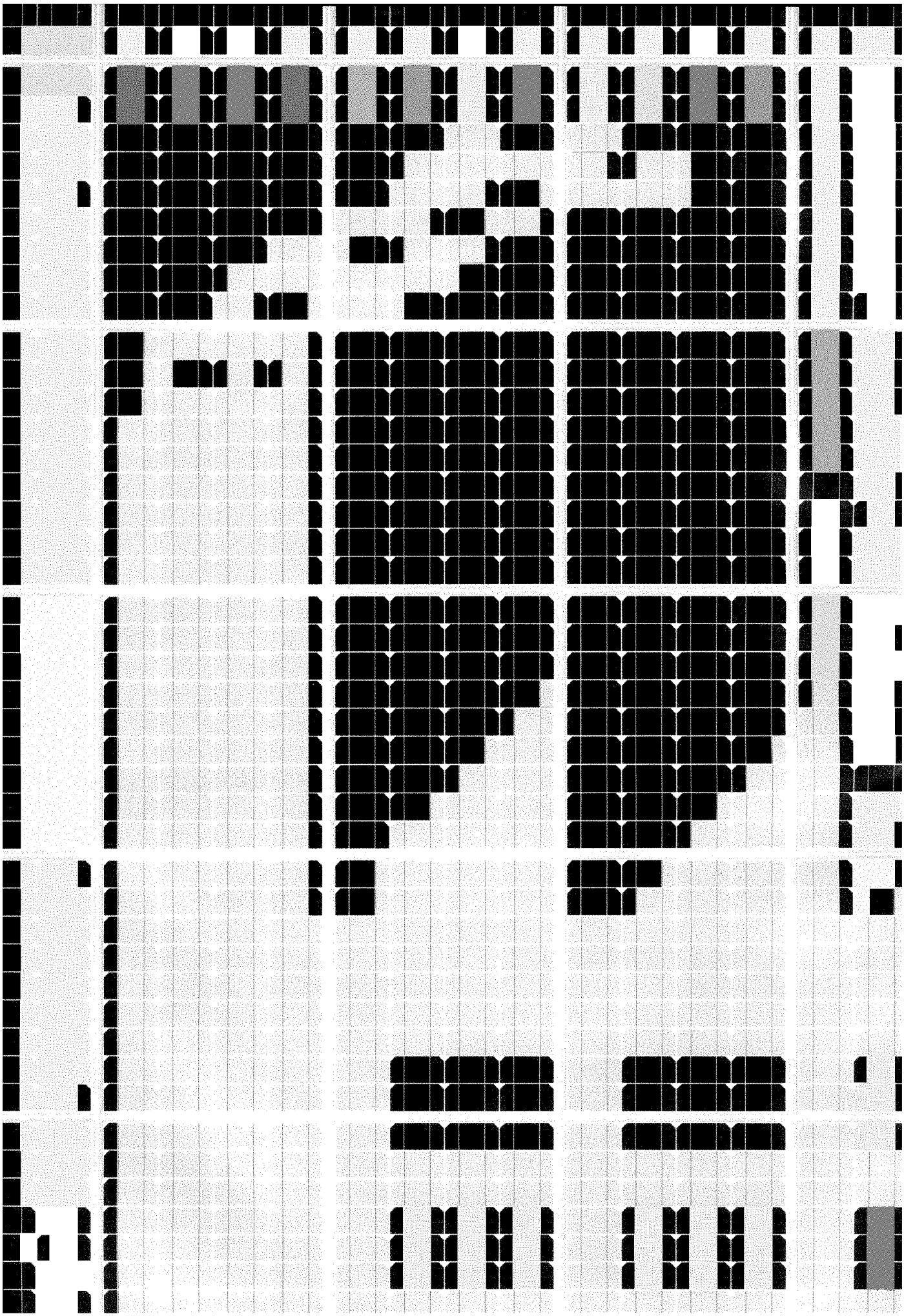

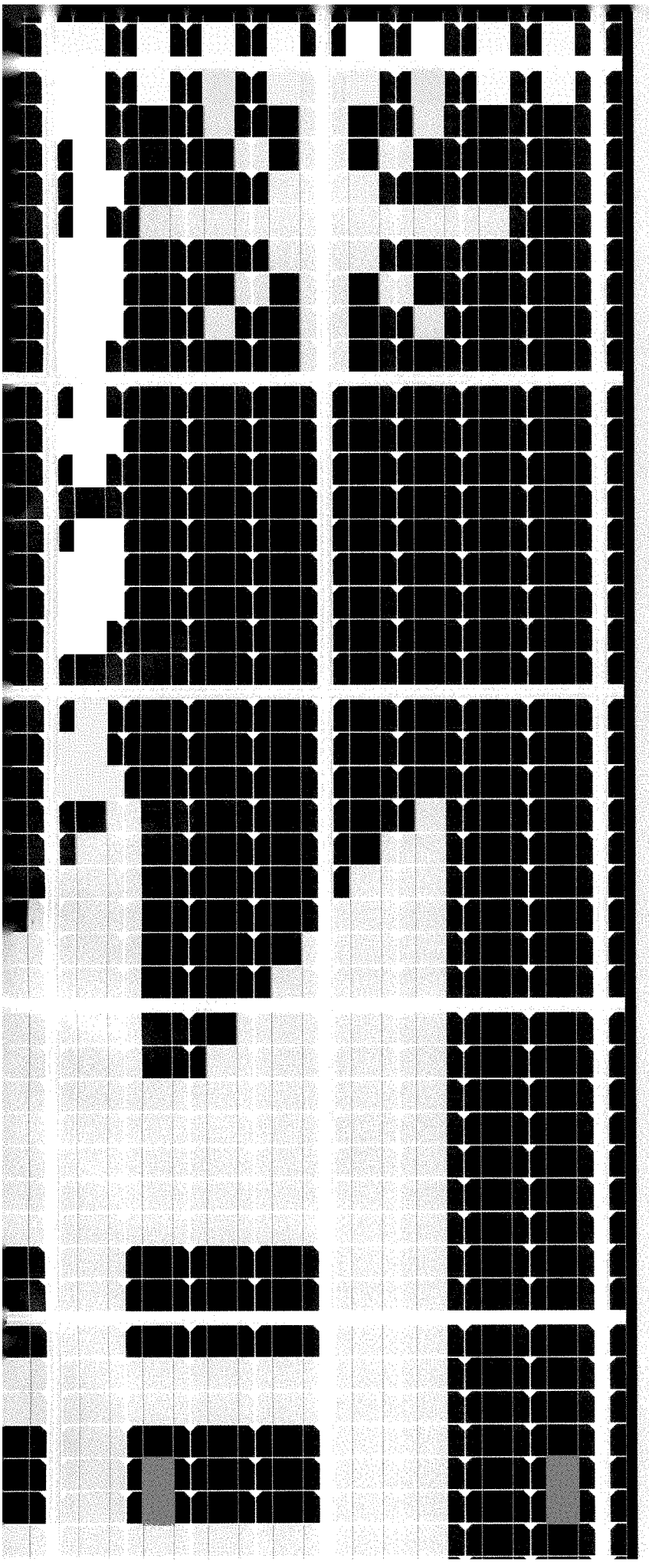

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Going for Gold: The lack of a UFO sighting at the opening ceremony must have disappointed some people. London's betting houses offer odds on almost anything, including a UFO disrupting the start of the Olympics. Much is riding on the world's biggest sporting event, which kicked off in the city on July 27. The betting industry expects to handle a record £100 million (₹859 crore) during the Games, which end on August 12. See businesstoday.in/olympics-training

Corporate

Azim Premji-led **Wipro**, India's third largest software exporter, reported an 18.4 per cent rise in consolidated net profit at ₹1,580 crore for the April-June quarter, trailing estimates. Its earnings guidance for the current quarter was weak, too. Shares fell to a nine-month low. **HCL Technologies**, the country's fourth largest software services exporter, reported a 29 per cent rise in quarterly net profit at ₹659 crore, just shy of expectations.

CARICATURE BY SANTOSH

The reforms agenda of the UPA-II regime seems to have been scuttled by difficult allies, mainly the Nationalist Congress Party's Sharad Pawar and Trinamool Congress chief Mamata Banerjee. As a result, allowing FDI in retail has taken a back seat. Shares of retailers such as Shoppers Stop and Trent, which are keen on tying up with foreign companies to gain fresh capital, have taken a knock.

Hindustan Unilever reported a 48 per cent jump in net profit at ₹855 crore for the April-June quarter. The next few quarters could be challenging for the fast-moving consumer goods sector if the monsoon is weak and the rupee continues to fall.

The finance ministry's **Financial Intelligence Unit** is investigating HSBC's India operations, following allegations that the banking giant's weak safety mechanisms exposed the country to terror funding and money laundering.

The **defence offset policy** is chugging along. L&T and the Pipavav Defence and Offshore Engineering Company have signed shareholder agreements with Mazagon Dock to build submarines and warships for the Navy. The order book is worth around ₹1 trillion (a trillion is 100,000 crore). See www.businesstoday.in/defence-pvt

The **Hindujas** plan to enter the real estate sector with investments pegged at $15 billion. They plan to develop townships, special economic zones, and hospitality and healthcare facilities.

The battle between two global tech giants rages on. Apple says it is entitled to $2.53 billion in damages from Samsung Electronics over patents for technology used in smartphones and tablets such as the iPhone and iPad. Samsung says that Apple is stifling legitimate competition and limiting consumer choice to maintain its historically exorbitant prices.

In the latest episode of the UK phone hacking scandal that racked media mogul Rupert Murdoch's empire, former *News of the World* editors Rebekah Brooks and Andy Coulson face 19 criminal charges that may lead to two years in jail. Both were close to the government of British Prime Minister David Cameron.

Economy

With the monsoon playing truant, **Prime Minister Manmohan Singh** has directed all ministries to coordinate with state governments to prepare contingency plans. Even so, a jump in food prices seems inevitable.

With **Pranab Mukherjee** moving to Rashtrapati Bhawan, the onus of chairing empowered groups of ministers has largely fallen on P. Chidambaram, A.K. Antony and Sharad Pawar. Chidambaram will chair the group that decides the pricing of public issues of public sector companies. Antony will head the group on pricing and commercial utilisation of gas as well as the group on ultra-mega power projects. Sharad Pawar will chair the group on drought management.

A day after the Presidential elections, public sector oil companies revised prices. **Diesel** became costlier in seven states by up to ₹1.95 a litre, but cheaper in 11 states. **Petrol** prices rose in seven states by up to ₹2.13 a litre. This is the second increase this financial year. Predictably, Trinamool Congress chief and West Bengal Chief Minister Mamata Banerjee opposed the increase.

With state elections due later this year, **Gujarat Chief Minister Narendra Modi** has stepped up public relations efforts to attract foreign investors to his state. On a recent visit to Japan, he took the opportunity to highlight Maruti Suzuki's troubles in Manesar, Haryana.

$32 tn

Potential amount of financial assets hidden in offshore havens by the global super-rich at the end of 2010 (the low end of the estimate is $21 trillion). This represents up to $280 billion in lost income tax revenues. The research was conducted by McKinsey & Co for the pressure group Tax Justice Network.

$43.57 bn

Estimated IT spending in India in 2012, up from $37.46 billion in 2011. Spending by small and medium businesses is likely to rise to 48 per cent by 2015, from 38 per cent in 2011. Banking, retail and healthcare are among the big spenders.

Markets

The Securities and Exchange Board of India has tightened eligibility and exit criteria for stocks in the derivatives segment. So scrips with a minimum trading volume of ₹10 lakh (the current minimum is ₹5 lakh) and marketwide position limit or market capitalisation of ₹300 crore (current limit is ₹100 crore) will be eligible for entry into the futures and options segment. The move is aimed at improving market integrity and checking manipulation by doing away with illiquid stocks.

Reliance Communications has put on hold the initial public offering of its undersea cable unit **Flag Telecom** in Singapore because of adverse market conditions. The IPO was to raise about $1 billion.

Coming Up

- The Securities and Exchange Board of India may get access to emails and telephone call records as evidence in insider trading cases. This comes in the wake of the use of wire tapping evidence against Goldman Sachs' board member Rajat Gupta in an insider trading case in the US.
- The finance ministry has asked public sector banks to prepare their capital requirement plans for the current financial year by August 15. The finance ministry will discuss additional capital allocation with public sector banks from August 15 to 31. The implementation of new global risk norms, or Basel III, is set for January next year.

FOCUS

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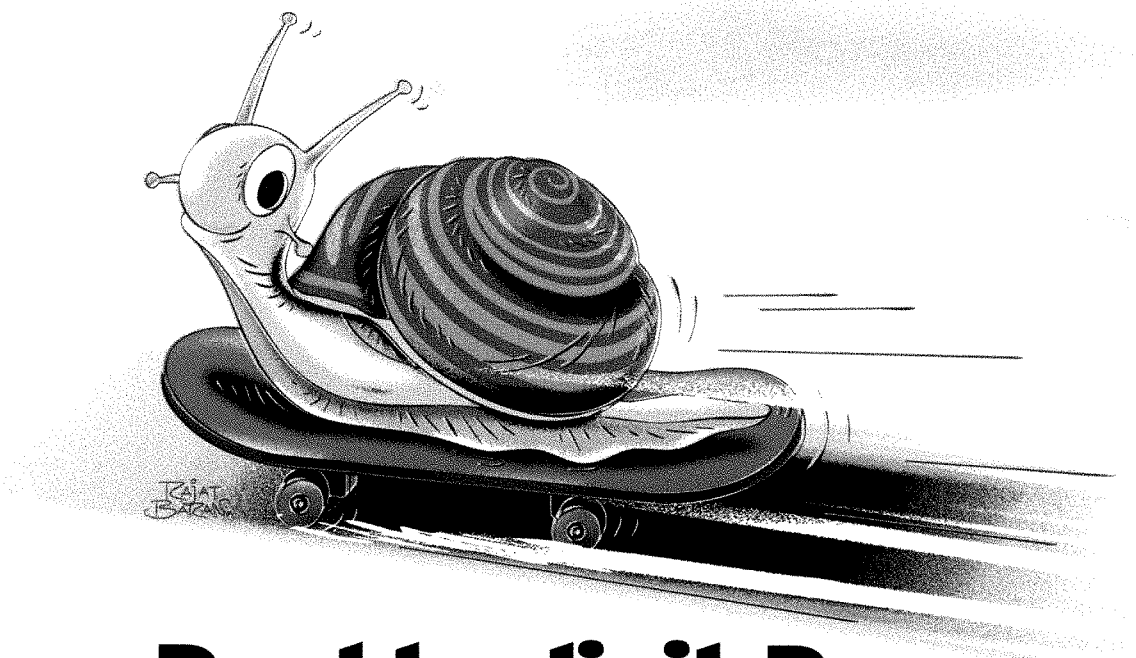


Double-digit Dreams Can Still Come True

There can be high growth in the long run without stoking inflation, but only if the government implements critical reforms.

By LEIF ESKESEN

5%
India's current share in the global economy

India is a rising global economic power. Growth has increased steadily over the past few decades, more than doubling India's share in the global economy from around 2.5 per cent in 1980 (at purchasing power parity-adjusted exchange rates) to more than five per cent today. This has lifted India's gross domestic product per capita (in US dollar terms) five-fold over the same period. Moreover, its economy has been among the fastest growing in the world in recent years, even in the last fiscal year when growth slowed to a multi-year low of 6.5 per cent.

India's economic success since the 1980s has gone hand in hand with important economic reforms. Key among these were steps to liberalise the industry and service sectors, gradually open up for foreign trade and investment and improve the fiscal position.

Looking ahead, India will continue to deliver strong growth, supported by rising income levels and favourable demographics. However, this should not allow room for complacency. India has the potential to grow

even faster, but this requires further structural reforms and accelerated implementation. In recent years, reform implementation has slowed down significantly, which has led to a supply-driven slowdown in growth. With supply struggling to keep pace with demand, inflation has remained persistently high despite the slowdown in growth.

In the absence of accelerated structural reforms, India will find it difficult to grow faster without seeing a build up of inflationary pressures. Relying on looser monetary policy to lift growth would be betting on the wrong horse. A significant cut in monetary policy rates would primarily serve to tease up demand while doing little to pump up supply. In turn, this would run the risk of reigniting inflationary pressures. Moreover, India does not have the fiscal room to significantly stimulate growth.

Further structural reforms are, therefore, a must if growth is going to pick up notably over the next few years and if double-digit growth is ever to materialise. Moreover, the point here is not to achieve higher growth for just one or two years and then consider the job done. No, we are talking about being able to grow at a faster pace on a sustained basis.

To achieve this, reforms need to centre around: (1) Tackling structural growth constraints such as infrastructure deficiencies, skill gaps, and rigid product and labour markets; (2) Pushing the innovation frontier through more research and development; (3) Further developing the financial sector to strengthen financial intermediation and resource allocation, and (4) Continuing with fiscal consolidation to crowd in the private sector and make room for growth-enhancing spending on physical and social infrastructure. These policies will enhance India's growth potential by boosting productivity, investments, and human capital.

Now will these reforms raise growth to double digits on a sustained basis? The answer is yes, in our view, but not overnight. Most likely, we will have to wait for 10 to 15 years considering the scale of reforms still needed. However, under optimistic assumptions about reform quality as well as scale and speed of implementation, India could achieve double-digit growth on a sustained basis in five to 10 years.

These reforms will not just lift growth, but also help India rebalance its economy on both the supply and the demand side. On the supply side, India has relied on its service sector as the key growth engine instead of the manufacturing sector like China. However, structural reforms should help India better utilise its comparative advantage in labour intensive and low-skilled manufacturing, which would fire up the manufacturing sector as a key engine of growth. On the demand side, reforms will help strengthen India's competitiveness and ability to increasingly rely on external demand for growth. With China expected to go through the opposite in terms of rebalancing, this should leave the two economies' broad supply and demand side structures more similar over the long term.

In conclusion, the Indian economy will continue to be a growth star on the global economic stage in the coming decades as a gradual pick-up in reform momentum ensures a higher utilisation of growth potential. We should, therefore, not get too caught up in the negativity surrounding the shorter term outlook, although it has temporarily taken some of the shine off the growth story. At the same time, of course, the growth story does not come automatically and it is contingent on policy makers rolling up their sleeves.

"STRUCTURAL REFORMS ARE A MUST IF GROWTH IS GOING TO PICK UP NOTABLY OVER THE NEXT FEW YEARS AND IF DOUBLE-DIGIT GROWTH IS EVER TO MATERIALISE"

Leif Eskesen

While we have not seen another big reform push yet we are getting more noises out of New Delhi. This does not guarantee a significant pick-up in reform momentum in the short term, but we could reasonably expect more traction over the next six to 12 months. This would also help to gradually improve the private investment cycle.

In this context, it is important to be realistic about how quickly structural reforms of this type and magnitude can be implemented. It is difficult to do it overnight both due to political constraints and because many of these reforms naturally take time to implement. Moreover, their full impact on growth will take a while to materialise. Consequently, it will be a couple of years before we are back above eight per cent growth. We expect GDP growth of 6.2 per cent in 2012/13 and 7.4 per cent in 2013/14.

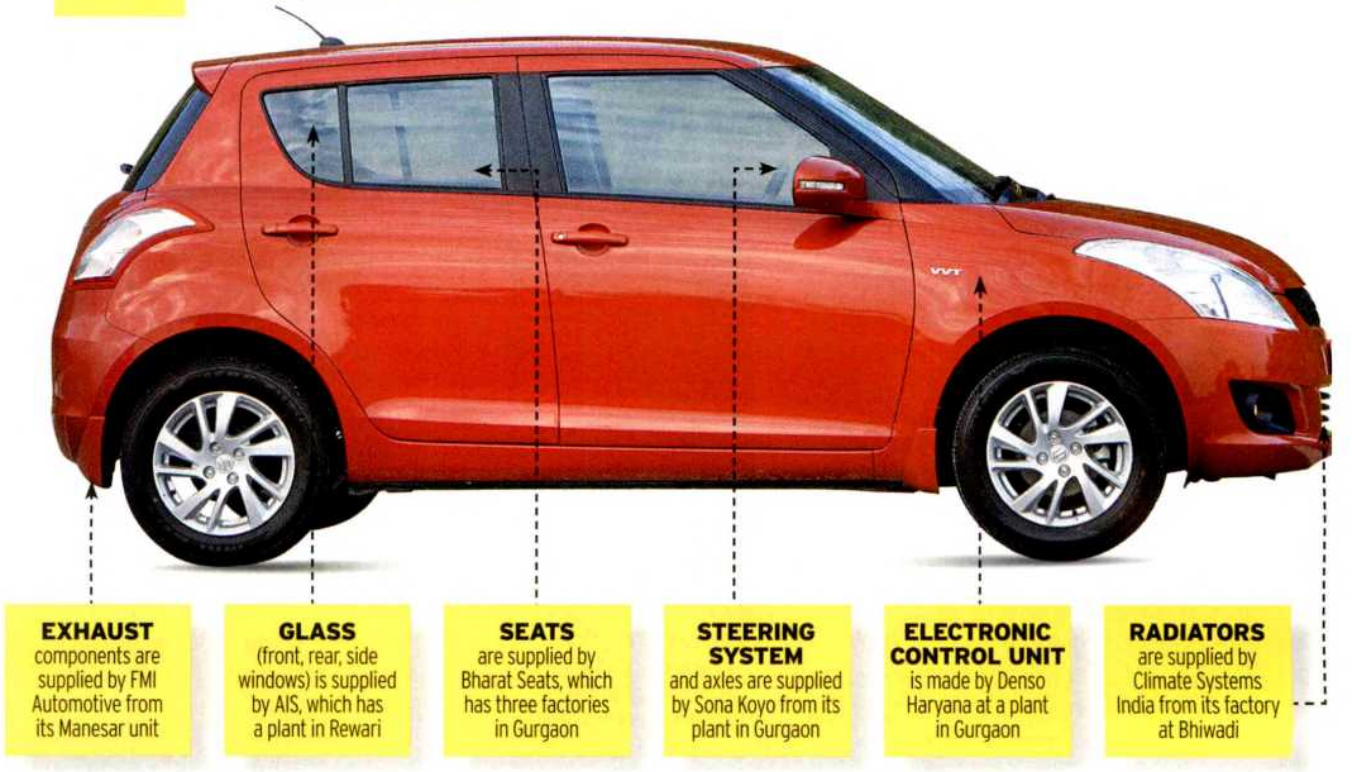
On a final note, it is worth emphasising that the debate in India, or anywhere else for that matter, should not just focus on the pace of growth. The quality of growth is equally important. This means achieving it through structural enhancements, which allows it to persist. It also means that it has to be sufficiently inclusive to be sustainable, but without constraining the growth dynamics of a more market-based economy. Environmental considerations are also a key from a sustainability perspective. ◆

The author is Chief Economist for India and ASEAN, HSBC

Stuck

Maruti Suzuki's dependence on vendors in the Gurgaon-Manesar belt will not let it shift to another location despite labour unrest.

By MANU KAUSHIK



Maruti Suzuki India Ltd seems to be lurching from one crisis to another. Nine months after putting an end to labour unrest at its Manesar plant, India's largest carmaker found itself in the midst of a bigger disaster. On July 18, production at the factory came to a sudden halt after violent conflict between management and workers resulted in the death of its human resources general manager, injuries to 96 employees, and damage to the plant.

Worried about the safety of its staff, Maruti has shut down the factory indefinitely. The lockout is costing it over ₹50 crore daily, say analysts. The incident has sparked a fresh debate on whether Maruti needs to move out of Manesar. "There's a possibility that Maruti could shift some part of its Manesar operations to Gujarat in the next two years," says Ashvin Shetty, analyst at Ambit Capital.

Analysts at the brokerage firm ICICI Securities say there are two possibilities: either management and workers arrive at a temporary resolution and until then the company shifts production to Gurgaon, or, in an extreme scenario, Maruti exits completely and shifts to Gujarat.

Maruti signed a pact in June with the Gujarat government to buy 700 acres of land near Mehsana to set up a factory. It is estimated that Maruti will spend around ₹4,000 crore and commission the factory by 2015/16.

However, Maruti's top management, including CEO Shinzo Nakanishi and Chairman R.C. Bhargava, has indicated that the company had no intention of shifting the Manesar

plant. In fact, it wants to push ahead with its expansion plans in Manesar.

So what makes Maruti stay in the region despite mounting losses and worsening labour woes? The Manesar plant rolls out Swift, Swift Dzire, SX4 and A-star models from two assembly lines. A third line is in an advanced stage of completion and is expected to be operational by 2013. "Production loss of these models can impact revenues by ₹1,600 crore and net profit by ₹100 crore per month," says a report by Nomura Equity Research. Last year, a series of labour strikes had led to a revenue loss of ₹2,400 crore.

Started in February 2007, the Manesar plant is spread over 600 acres and can make 5.5 lakh vehicles per year. It also has a diesel engine unit with a capacity of one lakh engines and transmissions. The Manesar and Gurgaon facilities have a combined capacity of 14.5 lakh vehicles per year.

Almost 80 per cent of the components that go into making a Maruti car are sourced from some 200 vendors. A majority – about 70 per cent – of these vendors are based in the Gurgaon-Manesar belt. For instance, Sona Koyo Steering Systems supplies steering systems and axles; Bharat Seats sells seats; and Denso Haryana supplies radiators. A relocation would mean Maruti has to take this vast network of vendors along.

"Over the past many years, Maruti has built a strong network of local vendors and supporting infrastructure in this entire corridor," says Vinnie Mehta, Executive Director at the Automotive Component Manufacturers Association of India. "It takes a long time to replicate it anywhere else," he adds.

In addition, the proximity of the Gurgaon and Manesar facilities gives Maruti flexibility in manufacturing and change the product mix in line with demand.

Mayur Milak, Senior Analyst at Dolat Capital, says labour problems can be tackled. "Maruti has around 3,090 permanent and contract workers. If contract workers are the root cause of problem, the company can terminate its agreement with the service provider, pay one-time settlement and hire workers on company payrolls," he says.

Industry observers also point out that many companies which have set up shop in Gujarat are struggling to find skilled workers. "There is a sufficient talent pool available in the National Capital Region due to the presence of various technical colleges and institutes," adds Mehta. ◆

WHY MARUTI NEEDS MANESAR

Nearly 80 per cent of parts used in making a car are sourced from vendors

About 70 per cent of Maruti's 200-odd vendors are based in the Gurgaon-Manesar belt

The supporting infrastructure Maruti has built is impossible to replicate in a short period

Shortage of skilled labour in Gujarat is a big problem for many auto companies

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Retaining Faith

Temasek is bullish on India's infrastructure sector despite the perceived policy paralysis. By SANJIV SHANKARAN

ADITYA KAPOOR

Gung-ho on India: Temasek country head Rohit Sipahimalani

INFRASTRUCTURE IS ONE OF INDIA'S WEAKEST LINKS BUT TEMASEK HOPES THE SECTOR WILL BE TRANSFORMED

Temasek Holdings, a sovereign wealth fund of the Singapore government, derives its name from an old coastal town that stood at the spot Singapore does now. And just as this spot metamorphosed over the past century into one of the world's most advanced and wealthy nations, Indian infrastructure too, the company hopes, will transform itself for the better.

Rohit Sipahimalani, Temasek's Co-chief Investment Officer and India head, does not share the widely expressed view that the Indian economy is in serious trouble. Is India a challenging market? "Not really," he says. He is not being diplomatic. "We see infrastructure as a significant sector," he adds.

Infrastructure is one of India's weakest links and its state seems to encapsulate the policy paralysis in the government. Temasek, however, is unperturbed, and is looking for opportunities in a sector the Planning Commission estimates will require $1 trillion investment in the next five years. (A trillion is 100,000 crore.)

India, where Temasek opened its office eight years ago, figures prominently in the company's global strategy. In January this year, talking about future global trends, Temasek CEO Ho Ching said that, by 2050, India would become the second-largest economy in the world on a purchasing power parity basis.

At the end of March 2012, Temasek's exposure to Indian assets was a little less

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GRPs: 1,393

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RANK/BRAND		GRPs
2	Cadburys Oreo	1,211
3	Dettol Toilet Soaps	1,016
4	Pure It Water Purifiers	980
5	Parachute Advansed	852
6	Cadburys Gems	678
7	Bharti Axa Life Insurance	668
8	Goodknight Active Plus	640
9	Sunfeast Dark Fantasy	635
10	Hero MotoCorp	622
11	Cadburys Bournville	619
12	Honda Motorcycle & Scooter	588
13	Garnier Light Oil Free	582
14	Cadburys Dairy Milk Chocolate	578
15	Clear Anti Dandruff Shampoo	563
16	Indian Broadcasting Fed.	557
17	Godrej Rosewater & Almonds	532
18	Pepsodent Germicheck Magnets	522
19	Colgate Dental Cream	512
20	Rin Perfect Shine Liquid Blues	503

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than five per cent of its $157 billion portfolio. That translates to about ₹40,000 crore, based on the currency exchange rate at the time. However, the exposure in rupee terms is only about two per cent of the Indian portfolio, which means not all of Temasek's investment is through deals on domestic stock exchanges.

Temasek declines to disclose details of returns on its Indian assets. Its officials would only say that, for the entire portfolio, returns on investments made since March 2002 were over 18 per cent on an annualised basis.

Temasek has a thematic approach to investing, which explains its attraction towards infrastructure. Certain overarching investment themes serve as its compass. It starts by identifying economies that are in the process of transformation. The transformation manifests itself partly in the form of expanding consumer demand. It follows that a transforming economy can throw up businesses with unique strengths and companies poised to shift gears. Using these overarching themes, Temasek hunts for investment opportunities.

TEMASEK'S INDIA EXPOSURE IS ABOUT FIVE PER CENT OF ITS $157 BILLION PORTFOLIO. THAT TRANSLATES TO ALMOST ₹40,000 CRORE

In India, one of Temasek's key investments has been ICICI Bank. "Banks are the best proxy for growth," says Sipahimalani. Proxies are necessary in a theme-based approach. Two other significant investments have been telecom company Bharti Airtel and direct-to-home TV company Tata Sky, both of which serve as indicators of the expansion of the middle-income consumers' category.

Sipahimalani says infrastructure in India is a growth sector and not a utility as it is elsewhere. His description of infrastructure is unconventional. He divides it into two categorises – that of assets and enablers. Assets would include a company such as GMR Energy which owns electricity generation assets. An enabler would be, say, a cement company, which provides a key input for the entire infrastructure sector.

In infrastructure, Temasek is looking at the riskiest proposition – buying into companies in the sector. "We are looking at equity-type returns," says Sipahimalani.

Economic uncertainty, volatility in regulations and attendant problems do not faze Sipahimalani. He believes Temasek's patience will help it ride out troughs. "Typically, we are long-term investors," he says. The company's track record seems to support the claim. Temasek still has exposure to 12 of 35 companies it inherited when it was set up in 1974 to manage the Singapore government's investments on commercial lines.

Do other long-term foreign funds in India also find infrastructure attractive? "There are enough PE (private equity) funds which can hold on for 10 to 12 years," says Munish Dayal, Partner at Barings Private Equity. He says the difference between a sovereign wealth fund, which can hold on to an investment for a longer period, and PE funds, which typically invest for three to five years, is not the issue. "The issue is more about government policies and actions," he adds, referring to the widely held view among investors that government decision-making in India has stalled. "The essence of the issue is: do you see first signs of a political will to make things happen," says Dayal.

Temasek is unlikely to be affected by short-term trends. The company, which routes some of its investments into India through Mauritius, was unperturbed even by recent developments in India's taxation rules, which had most foreign investors fretting. "It's not something that induces anxiety for us," Sipahimalani says. ◆

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Power Struggle

SANTOSH

The Centre's fresh initiative to revive power distribution companies will need the support of the states. By K.R. BALASUBRAMANYAM

IF THE STATES AGREE TO RESTRUCTURE POWER SECTOR LOANS, IT COULD PAVE THE WAY FOR THE ENTRY OF MORE PRIVATE PLAYERS INTO DISTRIBUTION

A majority of the power distribution firms in India – owned mostly by state governments – are unable to recover costs and are saddled with mounting losses. Together, the utilities are staring at a debt of close to ₹2 trillion.

The Centre has now put its best foot forward to rescue the distribution companies and prevent their collapse. But its financial restructuring plan (FRP) comes with riders. As part of the proposed deal, the state governments will have to take over half of the short-term loans of their distribution firms by issuing bonds to lenders that can carry a maturity period of 15 years. Banks and financial institutions will reschedule the rest of the loans, repayable in seven years, with a moratorium on payment of interest and principal in the first three years. A state accepting the FRP offer, however, will need to revise electricity tariffs to realistic levels and bring down distribution losses. The whole exercise is aimed at ensuring that the average recovery from consumers stays above the cost of supply.

"The exercise will be meaningful only if the states show commitment to save their utilities from further bleeding. We must remember we are also dragging the banking system into the debt trap," says Kameswara Rao, Executive Director at audit and consultancy firm, PwC India.

The Council of Power Utilities (CoPU), an association of all power utilities, argues that most of the problems of distribution companies are on account of costs over which they have no control. "There are many costs such as those related to the Pollution Control Board, law and order, irrigation etc, which increase a utility's costs. If other ministries too share these costs, it will ease the burden on distribution companies," argues CoPU Director General C.V. Jagannatha Varma. Almost a third of the power generated is used by irrigation pumpsets and the ministries concerned could share a part of these costs, he says.

Ten years ago, the Union government had taken a similar initiative when the losses accumulated by distribution utilities were just about ₹10,000 crore. This time though the Centre has done its homework and is prodding the states to revise tariffs and curb losses. If the states fall in line and agree to restructure power sector loans, it could well pave the way for the entry of more private players into electricity distribution and lead to the much needed overhaul of the sector. But it remains to be seen how many ruling political parties rise above populism to accept the Centre's deal and cede control over distribution companies. ◆

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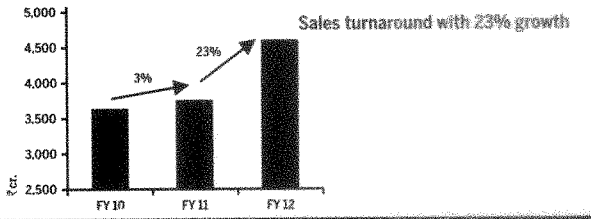
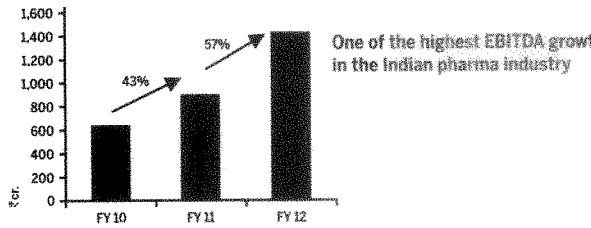


OPERATING PROFIT (EBITDA)

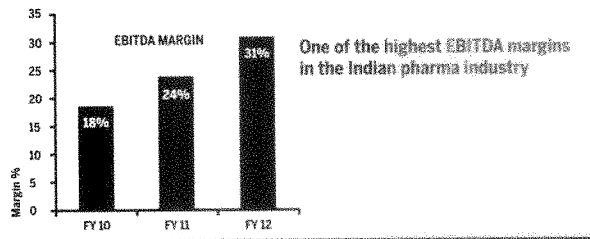
57%

GROWTH



EBITDA MARGIN

31%



NOW NET DEBT / EQUITY IS LESS THAN

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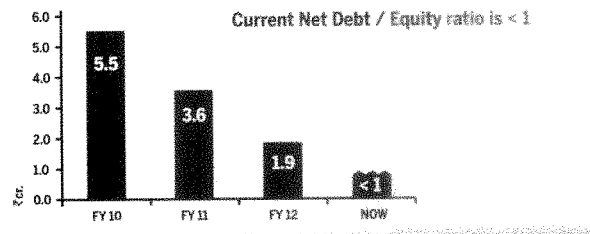

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The Big Picture

An entry-level DSLR with a 24.2 megapixel (MP) DX-format CMOS image sensor is rare. Entry-level cameras rarely have such high resolution. Indeed, the Nikon D3200 is currently the only one of its kind. It is ultra lightweight, weighing just 505 gm, and has a viewfinder as well as a three-inch LCD monitor which you can use for live views and for shooting videos. The new sensor completely obliterates background noise. You can crop any part of the frame to make a high-resolution picture. It is also high speed, thanks to the EXPEED 3 image-processing engine. There are loads of other features that make it ideal for beginners.

24 megapixel sensor,
Easy to use

A bit too light,
No dedicated ISO button

NANDAGOPAL RAJAN

Nikon D3200 **Price:** ₹37,950

HTC One S **Price:** ₹33,560

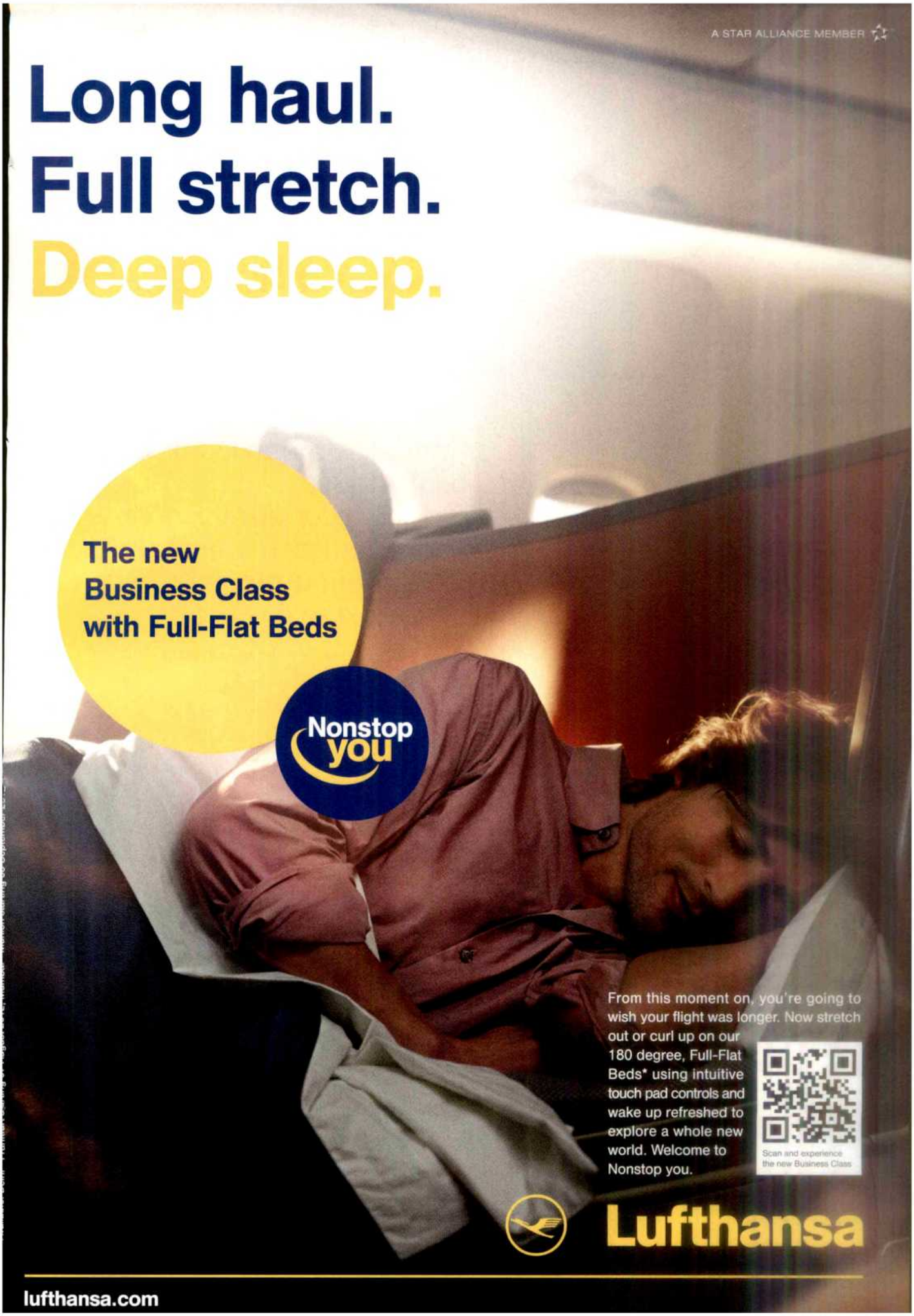
'One' More Delight

Here is another One from HTC, and this one is called the HTC One S. A stunner in the looks department, this Android Ice-Cream Sandwich phone has brains too. It features a 1.7 GHz dual-core processor coupled with a 1GB RAM, a thin 7.7 mm unibody design and a responsive 4.3-inch touch display. The improved features are apparent while web browsing or while watching YouTube videos. The 8 MP camera boasts zero shutter lag and can also record full HD videos. Plus, there is 'Beats Audio' as in other HTC phones. The One S comes with 16 GB of internal memory and has an impressive one-day battery backup.

Design,
Faster than most phones

No expandable memory,
Non-removable battery

NIDHI SINGAL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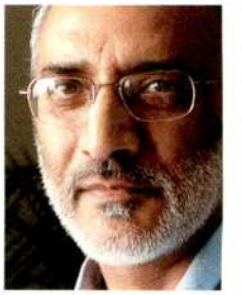
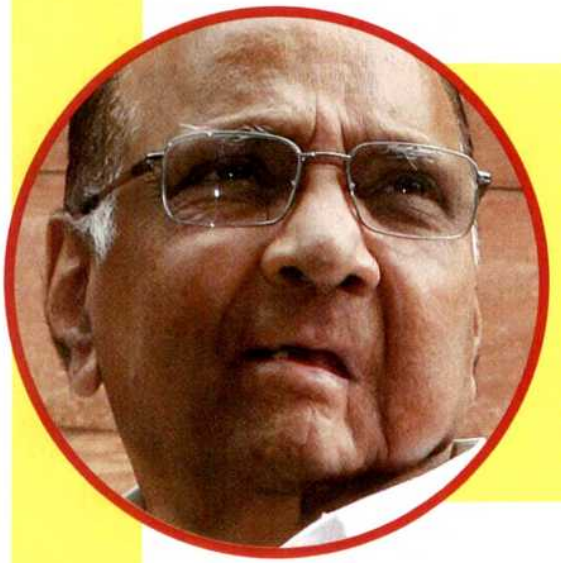
"The immediate fallout of scanty rains is rise in prices of pulses, vegetables, fodder, milk, and increase in edible oil imports at higher rates"

Ashok Gulati, *Chairman, Commission for Agriculture Costs and Prices, in* Business Standard



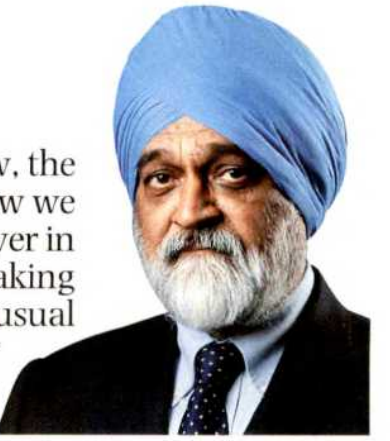


"With the monsoon playing hide and seek, it is a challenge for our farmers and scientists to maintain the foodgrain output achieved in the last two years"

Sharad Pawar,
Union Minister for Agriculture, in Bloomberg Businessweek

"Monsoon is a worry. Till now, the monsoon has not been normal. Now we don't know how much it will recover in July, but the agriculture ministry is taking preparatory steps so that the usual negative effect will be reduced"

Montek Singh Ahluwalia, *Deputy Chairman, Planning Commission, to* wire agencies



"THE RESERVOIR SITUATION IS SIMILAR TO THE CONDITIONS IN 2009 WHEN THE COUNTRY FACED ONE OF THE WORST DROUGHTS. IT WILL DEFINITELY HAVE AN ADVERSE IMPACT ON AGRICULTURE, NOT ONLY ON THE SUMMER CROPS BUT ALSO ON RABI CROPS"

R.C. Jha, Chairman, Central Water Commission, in The Economic Times

"Reports suggest that the monsoon has been deficient and that will have an impact on the economy... we will have to wait and see what impact it has on demand for consumer goods"

R. Sridhar, *Chief Financial Officer, Hindustan Unilever, in* Business Standard

Indian Institute of Management Ahmedabad

Two-Year Post-Graduate Programme in Agri-Business Management

Rated as Number One in Global Master Ranking in Agribusiness and Food Industry Management by EDUNIVERSAL, France based agency in December, 2011

The Post-Graduate Programme in Agricultural Business Management (PGP-ABM) is designed to transform dynamic and determined men and women into excellent leaders to meet the demand posed by this sector. This is a sector-specific programme at IIMA and is special, when compared to some other agri-business management programmes around the world, as it is firmly rooted in IIMA's management culture and philosophy. To enhance learning from multiple perspectives and inculcate a high sense of competitiveness amongst the programme participants, the first year of the programme is common with PGP. Building on this foundation in general management and equip students with specialized multifunctional knowledge and skills required by agri-business sector managers for excellence in planning and decision-making. Many alumni of the Programme head top corporate, or contribute at key positions in several agri-business related conglomerates in India and abroad.

COURSE OBJECTIVES

The Post-Graduate Programme in Agri-Business Management (PGP-ABM) has been developed to ensure that it meets the highest international standards, and is of high quality and direct relevance to the real world. Increasing environmental concerns and challenges of working in a highly market oriented environment requires the agri-food industry to be dynamic in terms of response to changes in policies and managing those changes. Along with innovative skills, those working in this industry require a range of management skills, familiarity with the policy environment, and a strategic perspective. PGP-ABM prepares students for the arduous task of leading change in the dynamic industry and managing the process of those changes. With a powerful blend of faculty, staff, alumni and corporate partners working together to achieve excellence in business education, the Programme has the best there is to offer in terms of exploring the endless possibilities in agri-business. The Programme prepares students for the agri-business value chain while specifically attempting to widen students' vision and instill in them values of professionalism, integrity, ethics and social commitment. Essentially the programme trains students to leverage and lead the immense potential agri-business offers in India.

COURSES AND PEDAGOGY

The programme offers a range of compulsory and elective courses. Many of the elective courses are revised or changed from year to year depending on need and interest of the field and the programme. Some of the courses that have been offered in different years in the recent past are given below:

Compulsory Courses in II Year

- Agricultural Finance • Agriculture and Food Policy
- Marketing of Agricultural Inputs • Strategic Food Marketing

Elective Courses

• Agricultural Futures and Option Markets • Agri-Entrepreneurship • Analyzing and Building Competencies • Carbon Finance and Agribusiness • CINE: Understanding Creativity, Innovation, Knowledge, Networks And Entrepreneurship • Digital Inclusion for Development • Energy Markets and Agribusiness • International Agriculture Trade and Policy • Investigating Corporate Social Irresponsibility • Logistics, Supply Chain and Infrastructure Management in Agribusiness • Management of Contract Farming • Management and Finance of Agro-Food Project • Management of Micro Finance • Managerial Communication for Agribusiness • Market Research for Agribusiness Management • New Challenges in Agriculture • Private Public Community Partnership For Inclusive Agribusiness • Public Finance • Public Policy • Rural Advertising • Rural Immersion Module (Phase I and II) • Rural Marketing • Sales and Distribution Management for Agriculture • Seminar Course Design and Dynamics of Development Organizations • Seminar Course on Globalization and Resurgent India Through Innovative Transformaiton (GRIT) • Shodh Yatra • Social Entrepreneurship: Innovating Social Change • Strategic Management of Intellectual Property Rights • Theory and Practice of Business Negotiation

In the classroom, case discussions are supplemented with lectures, films, seminars, games, role-plays, industrial visits, guest lectures and group exercises.

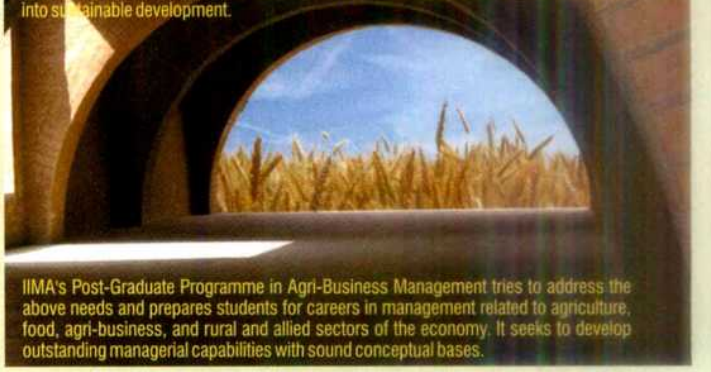
The Institute also offers three weeks Preparatory Programme in mathematics, computers and communication to help those selected candidates who may be weak in specific areas so as to equip them better for the rigour of the Programme. During the main programme too, remedial classes are held and help provided for those who may need support in specific courses.

INDUSTRY INTERFACE

The PGP-ABM programme brings business and policy makers from different areas of agri-business into the classroom and allows ongoing contact among students, companies, NGO, faculty and alumni. These knowledge-building sessions are opportunities for industry experts, alumni and also recruiters to engage students in focused discussions that reflect real life situations, simulations of future scenarios and specific career tracks, Industrial visits complement this process. Distinguished guests in the past have included CEOs, senior executives, and well known consultants and activists from various governmental, non-governmental and private sectors (e.g. NABARD, ICICI, SEWA, Nestle, Bayer, and many others).

Over the years, the agricultural economy of India has moved beyond merely being a family activity. It has become more complex and encompasses many operational areas, fields of knowledge and organizations. New technologies, changing role of governments, globalization and intense competitive and economic pressures have added further challenges to the management of the food and agriculture sector.

Technical knowledge, while essential to overcome the challenges of the real world, is by itself, insufficient. To really make a difference on a large scale, it is important to combine sound technical knowledge with outstanding implementation abilities including sound knowledge of organizations, economics, finance, project management, and other areas. Only then it is possible to successfully transform agriculture and allied activities into sustainable development.



IIMA's Post-Graduate Programme in Agri-Business Management tries to address the above needs and prepares students for careers in management related to agriculture, food, agri-business, and rural and allied sectors of the economy. It seeks to develop outstanding managerial capabilities with sound conceptual bases.

PLACEMENT PROSPECTS

The career prospects of professional managers from IIMA's PGP-ABM are extremely bright and attractive. The placements reflect the increasing recognition and perceived relevance of the programme by the industry and include newer areas like commodity trading, agri-insurance and retail. Many alumni head top corporate or contribute at key positions in several agri-business conglomerates in India and abroad. The programme attracts agri-service providers such as those providing export and import facilities, rural banking, financing of agri-projects, insurance and logistics and those working in retail, manufacturing , water management, R&D and rural energy. Prominent recruiters for the programme in the past have included M/s. Bayer Crop Sciences, Krishidhan Seeds, Monsanto, DuPont Crop Protection India, Nestle India, ITC Limited, Mahindra and Mahindra Ltd., ICICI Bank, Godrej Agrovet, Rallies India, Harrisons Malayalam, The Loot India Pvt. Ltd., TAFE, Rabo Bank, Olam International and IFTRA (recruits students for working in African subcontinent) Price Water House Coopers, IFMR Trust, John Deree, RPG Group, Technopak, Dudhsagar Dairy, Amul, Marico Industries, Yes Bank, Excel Crops, HDFC Bank, Vector Consulting Group, StarAgri, PI Industries, and New Holland Agriculture, Syngenta, Britannia and FINO.

ADMISSIONS

Graduates in any discipline with an interest in agriculture or allied sectors are eligible to apply.

Selection for PGP-ABM is done through a two-stage process. First, candidates have to appear for the Common Admission Test (CAT) that is held in October-November. The CAT has questions that evaluate the quantitative, language and data interpretation abilities of the candidate. The applicants are then short-listed and called for a group discussion and personal interview. The applicant's past academic record/achievements, understanding of agriculture and allied sectors, work experience and other relevant activities are also taken into consideration. Every year, the timeline for the admission process is as follows:

CAT Advertisement in National Newspapers	July, 2012
CAT (Examination)	October/November, 2012
Group-Discussion & Personal Interviews	February-March, 2013
Session Starts	June 2013

Exact details of eligibility, examination, where and how the CAT will be conducted will be given in CAT 2012 Website as well as on IIM Ahmedabad website. IIMA offers enough scholarship and freeships to take care of those who are not economically well off. Bank loans on easy terms are also available under policies promoted by the GOI.

For further information:
Programmes Officer, (PGP-ABM)
Indian Institute of Management
Ahmedabad, Vastrapur,
Ahmedabad -380 015.

Phone: (079) 6632 4688
Fax: 6632 6896
e-mail : pgpabm@iimahd.ernet.in
website: http://www.iimahd.ernet.in/pgpabm

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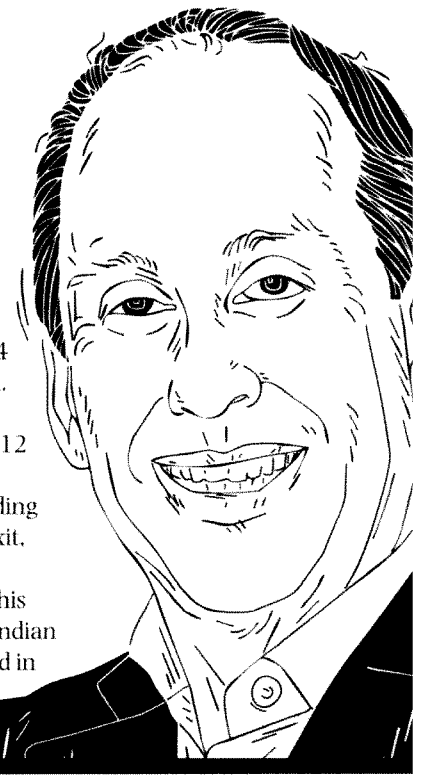
DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*



RAJAT BARAN

Sony Pictures Television (SPT), a subsidiary of Sony Pictures Entertainment Inc, will buy an additional 32 per cent stake in its Indian arm Multi Screen Media Private Limited (MSM) for $271 million (₹1,479 crore). This values the broadcaster, earlier known as Sony Entertainment Television India, at over $800 million.

SPT will acquire the stake from Grandway Global Holdings and Atlas Equifin Private Limited (Atlas), raising its holding in MSM to 94 per cent – the remaining equity will be held by Capital International.

The transaction is expected to be completed by December 2012. Of the total deal value, $145 million would be paid by December 2012 and the remaining $126 million in three equal annual installments beginning April 2014. The deal allows minority shareholders – holding stakes in MSM through Grandway Holdings and Atlas Equifin – to exit, ending years of bitter relations with the company.

"SPT has enjoyed great success with our channels in India and this acquisition further demonstrates our commitment to entertaining Indian audiences," **Andy Kaplan**, President, Worldwide Networks, SPT, said in a statement. SPT's portfolio of channels includes Sony Entertainment Television, SAB and Sony Pix.

TARGET
MULTI SCREEN MEDIA PVT LTD
ACQUIRER
SONY CORPORATION (SONY PICTURES TELEVISION INC.)
DEAL VALUE (₹ CR)
1,478.9

TARGET
EMBASSY PROPERTY DEVELOPMENTS
ACQUIRER
BLACKSTONE GROUP
DEAL VALUE (₹ CR)
1,255.2

TARGET
CONTINUUM ENERGY PTE. LTD.
ACQUIRER
MORGAN STANLEY
DEAL VALUE (₹ CR)
1,156.9

**Ultimate Logistics Solutions Ltd and Metallurgical Engineering & Equipments Ltd

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
Godrej Properties, Residential Development Platform	APG Groep N.V. and Sparinvest Property Investors	764.0
Adone Hotels & Hospitality Ltd	Avani Projects & Square Four	554.4
Cosme Farma-Certain Assets	Barloworld Ltd	520.0
Omega Healthcare Management Services	TA Associates	507.5
Security & Intelligent Services (India)	CX Partners	496.0
Lloyds Steel Industries Ltd	ULSL and MEEL**	369.4

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not take any responsibility with regard to such a decision .

*June 12 to July 16, 2012 Not a complete list

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To know more, visit www.mnexcellence.com,
www.mahindranavistar.com or call 09930 258832.
Entries open this 25th July 2012 and close by 5th September 2012.
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Global pandemic

Eurozone crisis has dealt a body blow to the global economy. From the United States and Europe to China, a synchronised slowdown is underway and the outlook remains grim, says International Monetary Fund's 'World Economic Outlook Update'. A recovery is possible in 2013 but only if policymakers in Europe get their act together.

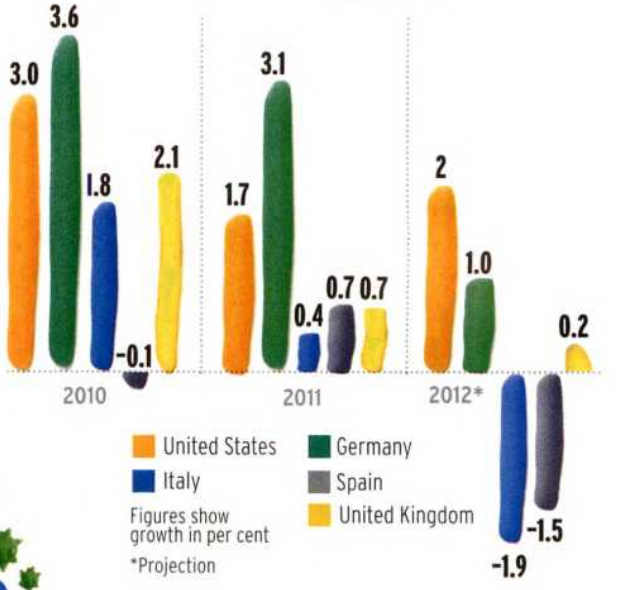
Graphic by **Santosh Kushwaha**

1 **Global economic growth has dipped...**

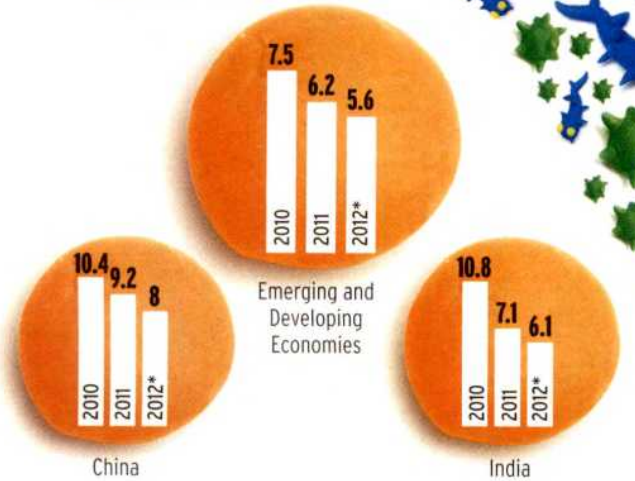
5.3% 2010

3.9% 2011

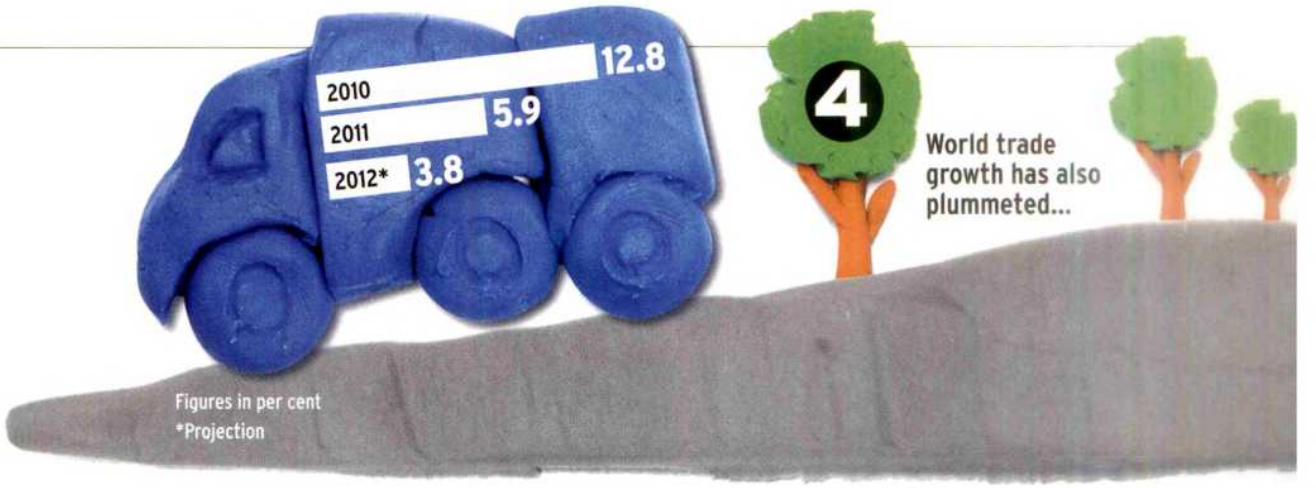
2 **...with most advanced economies in the midst of a severe slowdown. Some even appear headed for a full blown recession.**



3 **Most emerging economies too are feeling the heat, including China, the world's fastest growing major economy.**

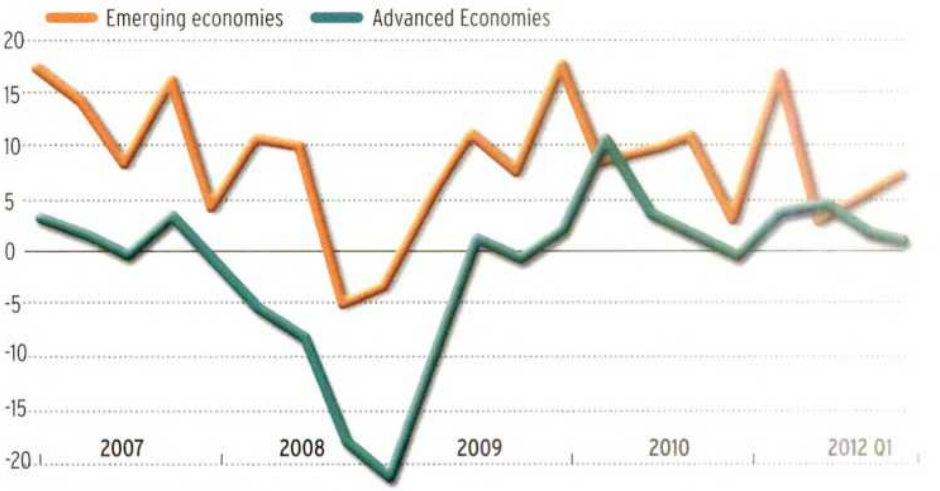


Figures show growth in per cent
*Projection



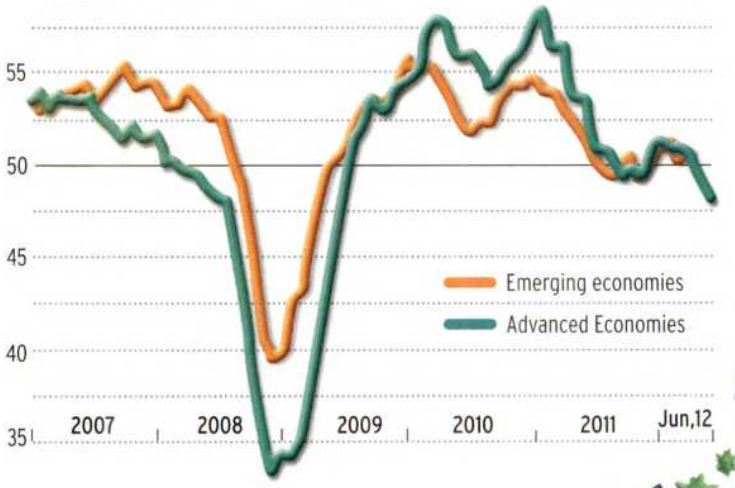
4 World trade growth has also plummeted...

5 ...And fixed investment, a prerequisite for economic growth, stays subdued...

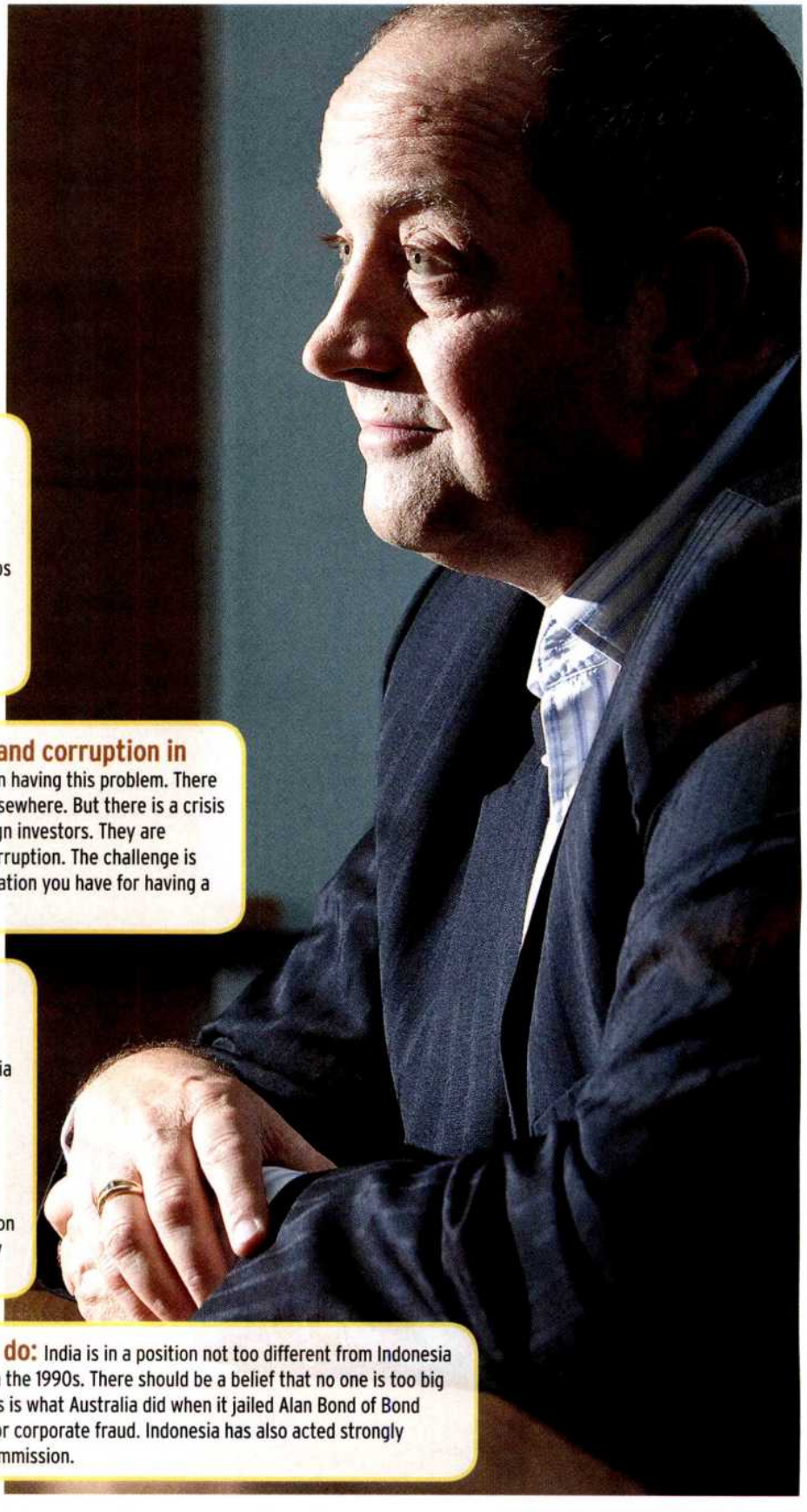


Annualized per cent change from previous quarter

6 ...even as Manufacturing Purchasing Managers' Index, a key indicator of business sentiment, languishes.



"NO ONE SHOULD BE TOO BIG TO BE JAILED"



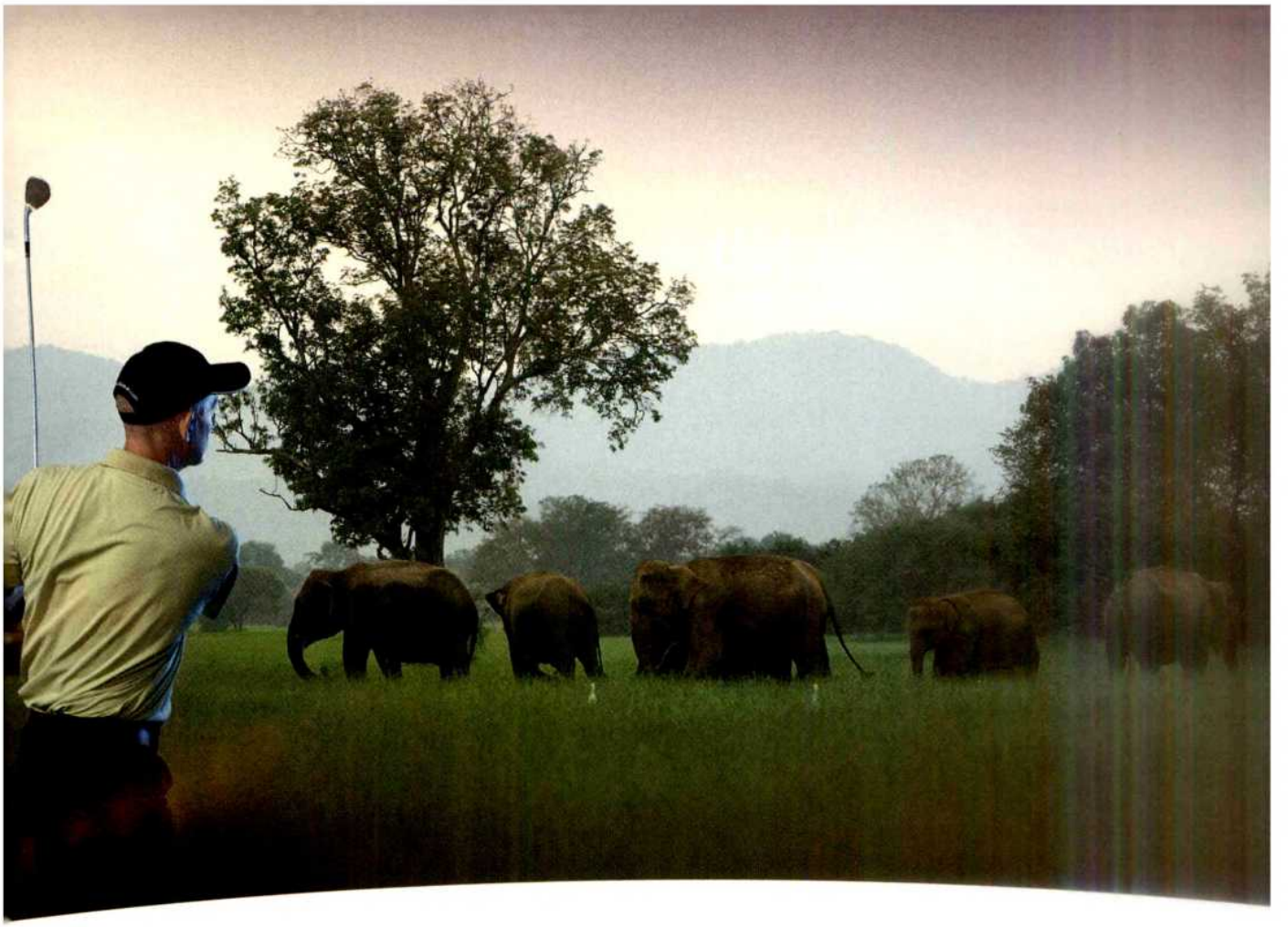
RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

TIM PHILLIPPS, Global Leader, Deloitte Analytics and Forensic, investigates white collar crimes. A former policeman, who has also served at the Australian Securities and Investments Commission, Phillipps shared his views on corruption and corporate governance standards in India with **G. SEETHARAMAN.** Edited excerpts:

On corporate fraud and corruption in India: India is not unique in having this problem. There is no outbreak of honesty elsewhere. But there is a crisis of confidence here for foreign investors. They are worried about the risk of corruption. The challenge is how you deal with the reputation you have for having a serious problem.

On why the spotlight is on India: It's true that things were worse in India 10 years ago than they are now, but in the last few years, India has had an active economy and there are more and more multinational companies coming in. Moreover, the Satyam scandal sent shockwaves through the investor community. People knew about low-level corruption but this was a big surprise. That's why companies are worried.

On what India should do: India is in a position not too different from Indonesia sometime ago and Australia in the 1990s. There should be a belief that no one is too big to fall and to be put in jail. This is what Australia did when it jailed Alan Bond of Bond Corporation for seven years for corporate fraud. Indonesia has also acted strongly through its anti-corruption commission.



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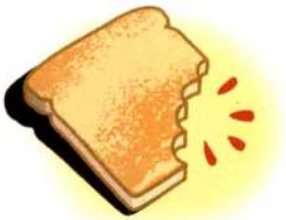
Convict's Day Off?

Every one gets days off from work – why not jailed convicts? Is doing time behind bars a form of 'work' too? When the parole plea of a Mumbai convict was recently rejected, he wrote to the Bombay High Court suggesting prisoners be treated on a par with government servants and given casual and sick leave from prison. The division bench which took up his case did not agree with him.



Raise a Toast

A piece of toast left uneaten by Prince Charles on the day he married Diana 31 years ago sold for £230 at an auction. Two bidders fought it out over the slice of white bread, which went under the hammer at Charles Hanson Auctioneers in Etwall, Derby. The slice had been billed as the 'world's most upper-crust piece of toast'. It was sold on behalf of Rosemarie Smith, whose daughter was a royal maid for almost three decades.

At Snail's Pace

None of the six tourism projects in Goa sanctioned by the Centre over the last three years is anywhere near completion. The proposal to set up an Institute of Hotel Management and Catering Technology was stopped after the locals claimed it would destroy the sanctity of a nearby temple. Other projects too appear stalled indefinitely.

HOW THINGS WORK

Banquet of the Breathtaking

The London Olympics flagged off on July 27. The 17-day event will be a grand spectacle involving 26 sports, 10,500 athletes and millions of spectators.

The Olympic Games began as a series of athletic competitions in Ancient Greece held in honour of Zeus, the Greek god of the sky. The exact origins of the Games are shrouded in myth and legend but records indicate that they began in 776 BC in Olympia, Greece. The modern Olympic Games began in 1896.

Host cities are selected by the International Olympic Committee (IOC), usually seven years in advance. In the first stage, any city may apply. IOC decides which of the applicant cities will become official candidates. In the second stage, the candidate cities are evaluated by an Evaluation Commission, which then submits the final list. The host city is then chosen by a vote at the IOC Session – a general meeting of its members.

The list of Olympic sports gradually increased until the early 2000s, when IOC decided to cap the list at 28. However, at the 2012 Olympic Games, the number of events will be 26 following an IOC decision in 2005 to remove baseball and softball.

India first participated in 1900, with a lone athlete (Norman Pritchard) winning two medals in athletics. The nation first sent a team to the 1920 Olympics, and has participated in every Games since then. Its athletes have won a total of 20 medals, mostly in hockey. In 2008, shooter Abhinav Bindra won the first individual gold medal. **A 142-member Indian contingent**, comprising 81 athletes and 36 coaches, has been approved for the London Olympics. The contingent will participate in 13 sports.

COMPILED BY BASUDHA DAS

A message to readers in India from the CEO of the Financial Times

"The Financial Times would like to make clear that the internationally renowned "Financial Times" newspaper is not in any way associated with the Indian title of the same name published by Times Publishing House, part of Bennett, Coleman & Co."

John Ridding, CEO, Financial Times

Mr Ridding's message is prompted by an advertisement promoting a supplement called Financial Times, published by Times Publishing House, part of Bennett, Coleman & Co, and circulated with the Times of India. The advertisement was published in the Times of India, a Bennett, Coleman & Co publication.

We hope Mr Ridding's message will clarify that there is no connection between the supplement published by Times Publishing House and the Pearson-owned Financial Times – one of the world's leading business news and information organizations, recognized worldwide for its authority, accuracy and integrity.

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Prometheus in Chains

Indians have the talent and attitude to become successful entrepreneurs, but the external environment hardly helps them

Entrepreneurs have contributed to India's vibrant and growth-oriented economy since its economic liberalisation in 1991. Two decades later, Gallup research shows that entrepreneurship still has a huge unreleased potential. So what is standing in the way of India's micro, small and medium enterprises (MSMEs)?

A 2011 Gallup study of 20 economic entities in Asia showed that India ranked in the bottom quartile on several important indicators of a well-functioning entrepreneurial ecosystem. Although cross-country comparisons might not be ideal because of Asia's diverse economies, governance models and cultures, a bottom quartile ranking across a majority of indicators is alarming.

> It is not easy to start a business in India – 46 per cent say the government makes it hard to start a business. To some degree, widespread corruption might cause low efficiency and high business startup costs

Sixteen per cent of Indian adults said they own a business, as of March 2012. Half of them worked alone and another 47 per cent had five or fewer employees. The majority of these could be classified as unproductive entrepreneurship or destructive entrepreneurship – with zero or negative net effects on gross domestic product – and many are typical micro and small individual or family businesses.

In short, India needs more businesses that satisfy an existing demand and create jobs for people (other than the business owner and his/her immediate family) and stimulate GDP. But among Indian adults who are not business owners, only nine per cent have thought about starting their own business.

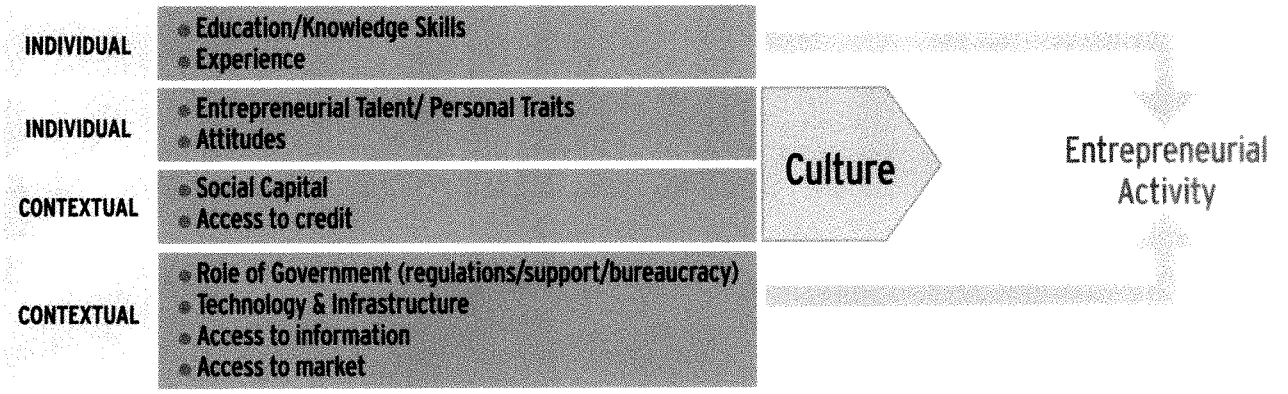
Successful entrepreneurial ecosystems need a balance of two qualities: individual variables, primarily talent and attitude, and contextual variables, such as the role of government and access to information. (See *Key Factors Influencing Entrepreneurial Activitiy.*) Recent research has found India ranked in the bottom quartile on external entrepreneurial factors such as government support, culture, social capital and access to training. Yet intrinsic factors – such as entrepreneurial talent and attitude – are plentiful. Contextual support is vital to entrepreneurial success and lack of it hampers the MSME sector in India. Of particular concern are the following four problems:

Lack of reliable support from honest and efficient government institutions. It is not easy to start a business in India – in the Gallup study, 46 per cent of Indians say the government makes it hard to start a business, while 26 per cent think the opposite.

To some degree, widespread corruption might cause low efficiency and high business startup costs. Since 2006, more than 70 per cent of Indian adults have said that government corruption is widespread. More than six in 10 agree that corruption is widespread in business; this perception is particularly high among current business owners (72 per cent) and those planning to start a business in the next 12 months (80 per cent).

Too little diversified, localised funding at the initial stage. Nearly three in 10 (29 per cent) aspiring entrepreneurs, who plan to start their business in the next 12 months, say they have

KEY FACTORS INFLUENCING ENTREPRENEURIAL ACTIVITY



access to the money they need – down from 37 per cent in 2011. This is significantly lower than the average for all 20 Asian economic entities Gallup polled in 2011 (44 per cent).

The key problem seems to be also about getting the right type of funding. The majority of existing venture capital funds for startups are focused on export-oriented IT or mobile solutions, and few seem to facilitate startups for the massive domestic market, particularly in the growing health care or energy sectors. In addition, seed funding at the initial stages is scarce, as is opportunity for entrepreneurs to learn from investors' expertise.

Little access to training and mentorship, particularly in rural areas. Part of this problem is a reflection of the education system. India has taken significant steps to promote entrepreneurial education and has established national institutions to provide special training to entrepreneurs. But apart from mentorship, only 22 per cent of aspiring entrepreneurs have access to formal or informal training to start a business, much lower than the Asian average of 44 per cent. That is not enough to meet the nationwide demand for entrepreneurship training and in rural areas, residents have little chance to capitalise on these opportunities. Even informal educators are hard to find. Only 37 per cent of current business owners and 28 per cent of Indians who plan to start their business in the next 12 months know people who can give them advice about managing a business.

Agreements are not always enforced: The time needed to enforce contracts in India is almost three times the average among Organisation for Economic Co-operation and Development (OECD) countries and the cost of doing so is almost double the OECD average. Indian entrepreneurs, often strapped for cash and time, are almost powerless when business partners do not operate honestly. Currently only 16 per cent of Indian adults believe they can find a non-relative who will be a trusted business partner.

Despite the contextual barriers, Indian entrepreneurs still rank fairly high on individual talent compared with other countries in Asia. It indicates that they could succeed if given contextual support.

In the short term, formalisation of and transparency in governance procedures could demoralise rent-seeking entrepreneurs who grow businesses informally or illegally, causing a decline in entrepreneurship. But this will reduce unproductive or destructive entrepreneurship, and prepare the country for productive entrepreneurship.

> The key problem seems to be about finding the right type of funding. The majority of existing venture capital funds for startups are focused on export-oriented IT or mobile solutions

Ultimately, any improvements will require long-term joint efforts by policymakers, thought leaders, practitioners, and experts from the entrepreneurial community.◆

The authors are senior consultants at the Gallup Organization

DIGITAL AD-VENT

Online advertising is fast catching on and is growing at the expense of traditional media such as print, radio and cinema. By ANUSHA SUBRAMANIAN

Hindustan Unilever Ltd (HUL), India's largest consumer goods company, believes strongly in the power of well-crafted advertising campaigns. Not surprisingly, the company is among those which have swiftly discovered the virtues of digital advertising and made it a cornerstone of their marketing initiatives. "The digital medium offers us an opportunity to reach a section of our audience in an innovative and engaging manner. It is a key pillar in our media planning," says Abhiroop C., Head, Media Services, HUL.

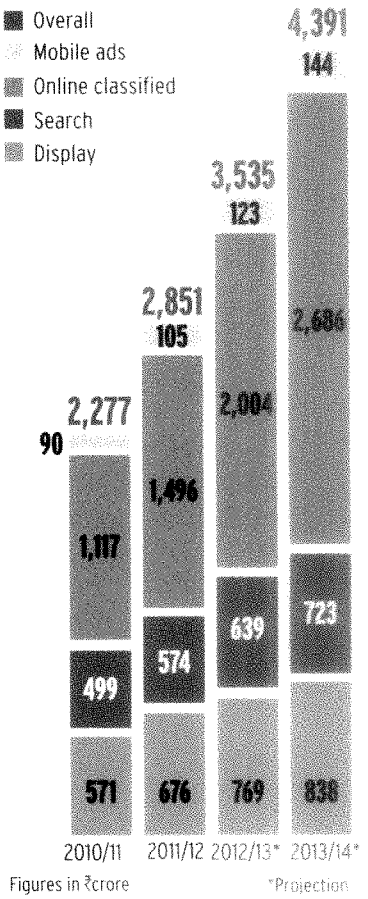
Multinational cola companies, PepsiCo and Coca Cola, too are betting on digital for effective communication with part of their target audience in India – mainly the youth. However, television and print have not lost their effectiveness.

"While television continues to be the bedrock of our marketing investments, non-television investments have witnessed a significant shift in the mix," says Deepika Warrier, Executive Director – Marketing, PepsiCo Beverages, India. "For example, we wanted city specific campaign for our Pepsi T20 Football tournament. We relied mainly on radio and digital to drive participation while television was dedicated to the thematic campaign."

With companies waking up to the potential of the digital medium, online advertising in India is on an upswing and growing at the cost of other media such as print, radio and cinema. The trend that began before the current economic downturn has only strengthened in recent times despite the economic slowdown.

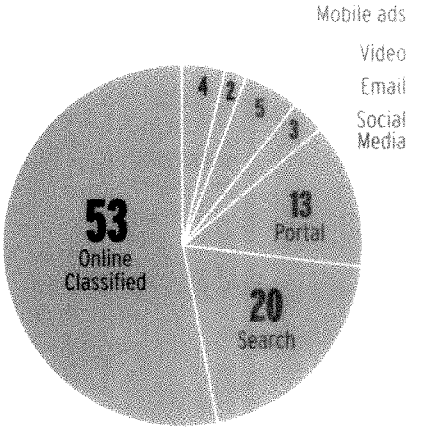
A report by Madison-Pitch estimates that digital advertising spends grew at an average of 45 per cent annually over the past three years and predicts the trend will continue. A second report by the Internet and Mobile Association of India (IAMAI) and research firm IMRB says digital spend is likely to grow 54 per cent in the next 12 months. The industry generated revenues of ₹2,851 crore

Digital ad spends are surging...



Figures in ₹crore *Projection

...with online classifieds accounting for half of the total



Figures in per cent for 2011/12 Source: IAMAI

in 2011/12, which will grow to ₹4,391 crore in 2012/13, says IAMAI. The growth is attributed primarily to the sustained rise in mobile and Internet user penetration in India.

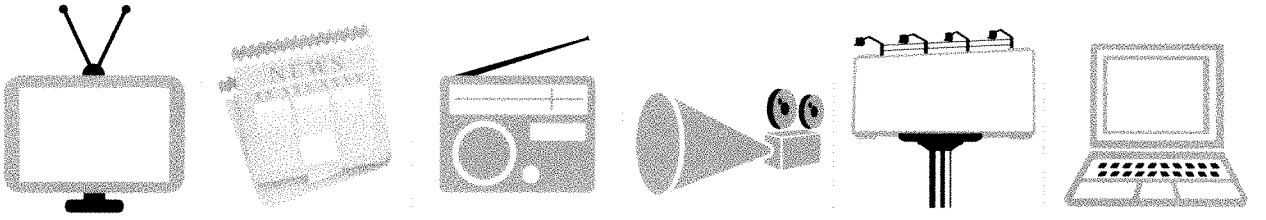
It is much the same across the world. A PricewaterhouseCoopers report estimates that Internet advertising, including mobile, rose 15 per cent internationally in 2011 against a projection of 8.8 per cent. "A lot of ideas are now conceived specifically and first for the digital platform," says Anil Dua, Senior Vice President (Marketing & Sales), Hero MotoCorp Ltd.

Advertisers say that digital advertising and marketing offer compelling benefits, especially for cost-conscious companies. Compared with most traditional mediums, it allows marketers to readily measure the results through number of clicks and consumer engagement. "This produces more efficient advertising and higher return on investment. It is a big impact spend and secondly very targeted," says Meghna Godkhindi, Business Director, Digital, DDB-Mudra Max Media.

This does not mean that digital is making inroads into the advertising share of all traditional mediums. Television still leads the way. But print is wilting and digital seems to be growing primarily at its expense.

"For advertisers, digital is no longer a question of 'should we'. It

How They Stack Up



	TELEVISION	PRINT	RADIO	CINEMA	OUTDOOR	INTERNET
2012*	**12,626**	**11,438**	**948**	**161**	**1,362**	**2,303**
2011	11,478	10,791	903	140	1,297	1,535
2010	10,530	9,992	885	118	1,441	680
2009	8,492	7,806	681	103	1,135	453
2008	8,319	9,825	662	129	1,419	363
2007	7,110	8,470	480	104.5	1,275	250

*Projection Revenues in ₹crore

Source: Madison-Pitch

forms an integral part of the marketing mix, and extends to functions such as customer relationship management as well. One has witnessed a sampling of digital advertising across product categories," says Krishna Kumar, CEO, Media2Win, a Mumbai-based digital agency which works for several corporates.

Travel, e-commerce, telecom, technology and banking, financial services and insurance companies are regular advertisers on the Internet. Increasingly, consumer goods companies are also opting for this medium. "It gives us an opportunity to listen to consumers in real time and engage with them on a one-to-one basis and create content integration that drives engagement and sharing. The new generation is far more digitally savvy and it is imperative for us to recognize that and evolve to stay relevant," says HUL's Abhiroop.

Pepsico plans to significantly raise its digital investments to cater to very specific consumer groups. It is an intrinsic part of its strategy to enhance consumer involvement with its on-ground events such as Pepsi T20 Football, Dew Xtreme Tours and 7Up Dance Patallam.

The same goes for Pepsi's arch rival Coca Cola. "We also have many on-ground events in 400 small towns for the Thums Up brand that are attended by up to 10,000 people. We work on the 70:20:10 principle. Typically 70 per cent is on media that continues to work, 20 per cent spend is on new mediums and 10 per cent on incubating new ideas," says Wasim Basir, Director – Integrated Marketing Communications at Coca-Cola India.

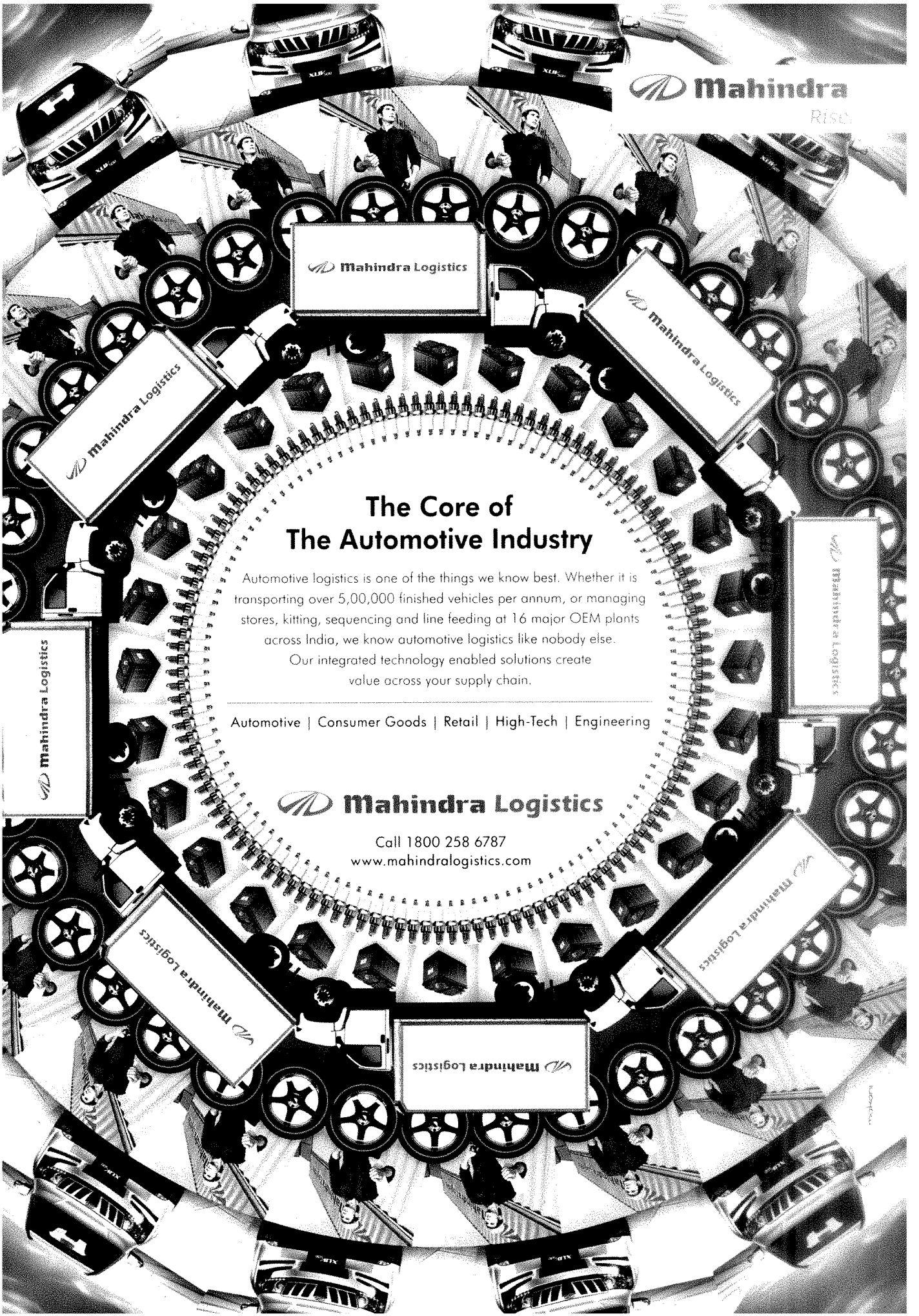
Digital advertising growth has also proved to be a boon for home grown advertising networks such as Tyroo, Komli Media and Tribal Fusion among others, which buy and sell online space for a host of websites. Media buyers representing advertisers are increasingly approaching them in search of the best deals for their clients, and most are not disappointed. "We work with 75 of the top 100 traditional advertisers in India. This shows our penetration in the market," says Prashant Mehta, CEO of Komli Media.

But the digital medium still has a long way to go. According to Santosh Padhi, co-founder of Taproot advertising, most advertisers are currently doing only basic communication through this medium. "There is no big innovation that is taking place. There are not too many players doing cutting edge work in this space," he says, adding that digital could emerge as the most dependable channel for advertisers in the next three to five years.

The medium is also highly fragmented. With multiple avenues, including social media, to reach out to consumers there are a number of specialists in the market offering digital services. This often makes it difficult for marketers to decide on the right platform and the communication strategy.

Then, according to analysts a dearth of talent in the digital industry is also a big hurdle which needs to be tackled for the medium to sustain its rapid growth in the future. ◆

ADDITIONAL REPORTING BY SHAMNI PANDE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BRICK BY BRICK

Ajit Gulabchand has his back to the wall. Can he build his way out of trouble?

By ANAND ADHIKARI

In 1993, Ajit Gulabchand emerged from a bruising eight-year war within the Walchand Hirachand family with control of Hindustan Construction Company (HCC). With a turnover below ₹125 crore and profits of less than ₹5 crore, it was a company few in the extended family wanted. Everyone wanted Premier Automobiles, which made the Padmini brand of cars, now out of production.

Over the past 19 years, the tenacious Gulabchand has built HCC into the successful arm of the crumbling Walchand Hirachand empire, which was once spoken of in the same breath as the Tatas and the Birlas. And HCC is successful because Gulabchand has been able to surprise everyone time and again.

Along the way, he has delivered several iconic projects, including the Kolkata Metro, India's first metro network, and the Mumbai-Pune expressway, the country's first with "access control". And he has not shied away from taking on even bigger challenges.

Still, when HCC took on the Bandra-Worli Sea Link in October 2000, a few believed the company was being too ambitious. It was the first time such a project would be undertaken in India, and the first time an Indian company would take on such a project. It took HCC a decade, but the company eventually pulled off the engineering feat, overcoming protests from fishermen and the green lobby, and the tough geology of the Arabian Sea. Dressed in his favourite blue jeans, his silver mane flying in the wind, Gulabchand called a press conference on the bridge on June 29, 2009, and showed it off like a proud father. He had proven the sceptics wrong once again.

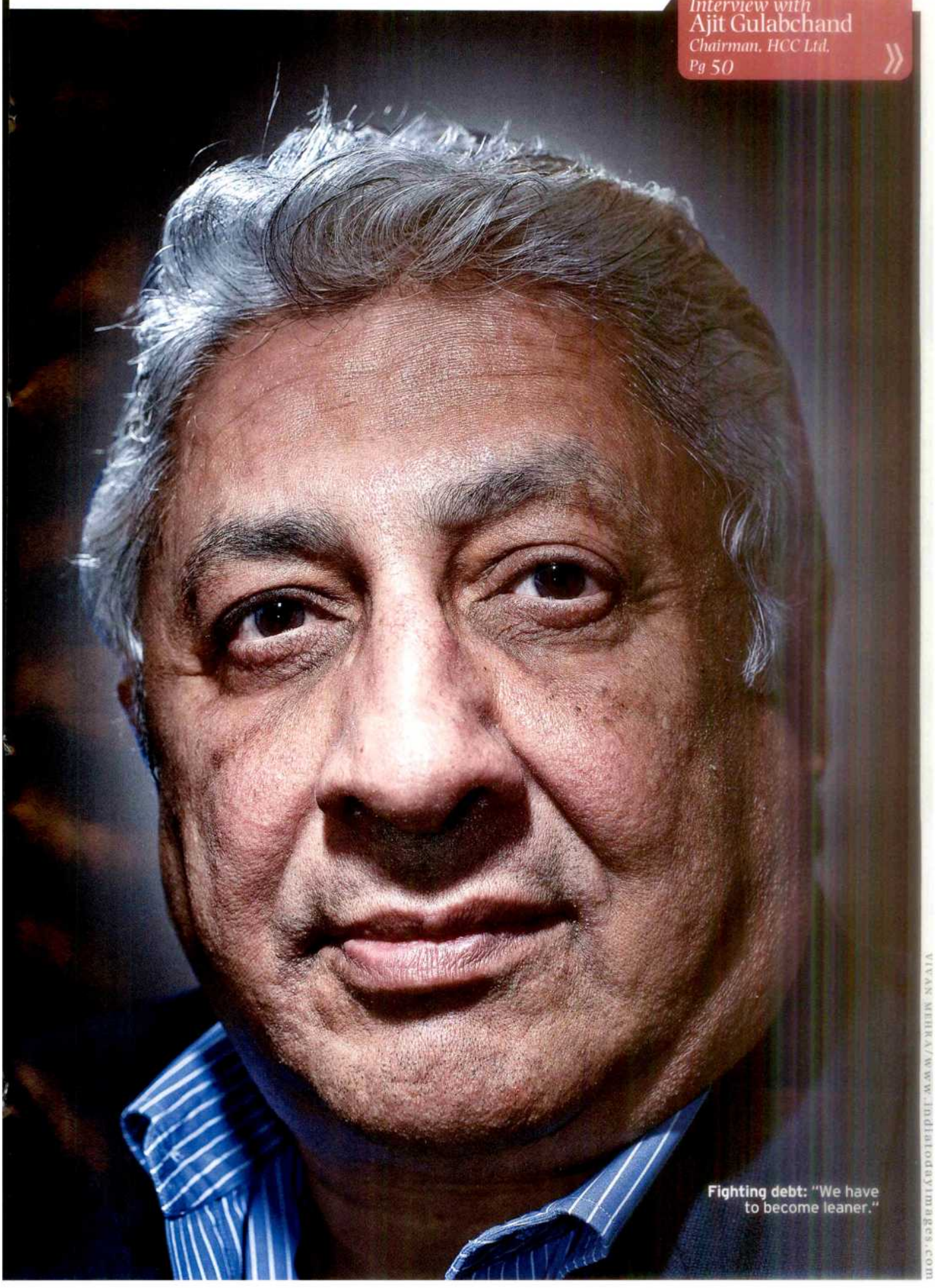
Big Spend: The total cost of the Lavasa project has been pegged at ₹50,000 crore

Today, at 64, Gulabchand faces a different kind of challenge. His dream project, the hill city of Lavasa, near Pune, threatens to jeopardise the future of the mother ship, HCC. It does not help that HCC is already buried under a mountain of debt. So, can he spring another surprise?

There is a lot going for Gulabchand. He has the benefits of old money. He received a bit of mentoring from Dhirubhai Ambani and enjoys the personal friendship of people such as Sharad Pawar and Rahul Bajaj.

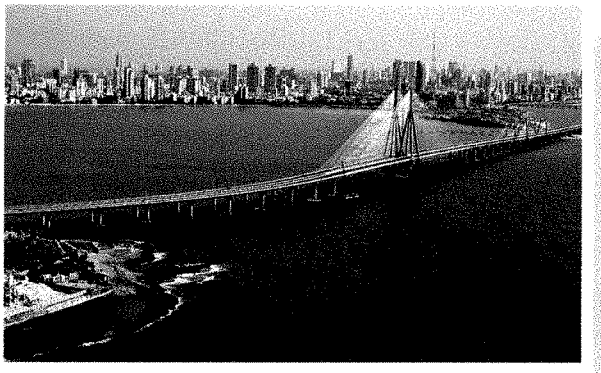
There is a lot going against him, too. The second

Interview with
Ajit Gulabchand
Chairman, HCC Ltd.
Pg 50



Fighting debt: "We have to become leaner."

VIVAN MEHRA/WWW.INDIATODAYIMAGES.COM



Quick drive: The 5.6-km Bandra-Worli Sea Link has reduced commuting time in Western Mumbai

phase of the Bandra-Worli Sea Link has gone to Anil Ambani. Another project, the hill city of Lavasa, has caused him even more sleepless nights. And Sharad Pawar? Many believe Lavasa's troubles have something to do with their friendship.

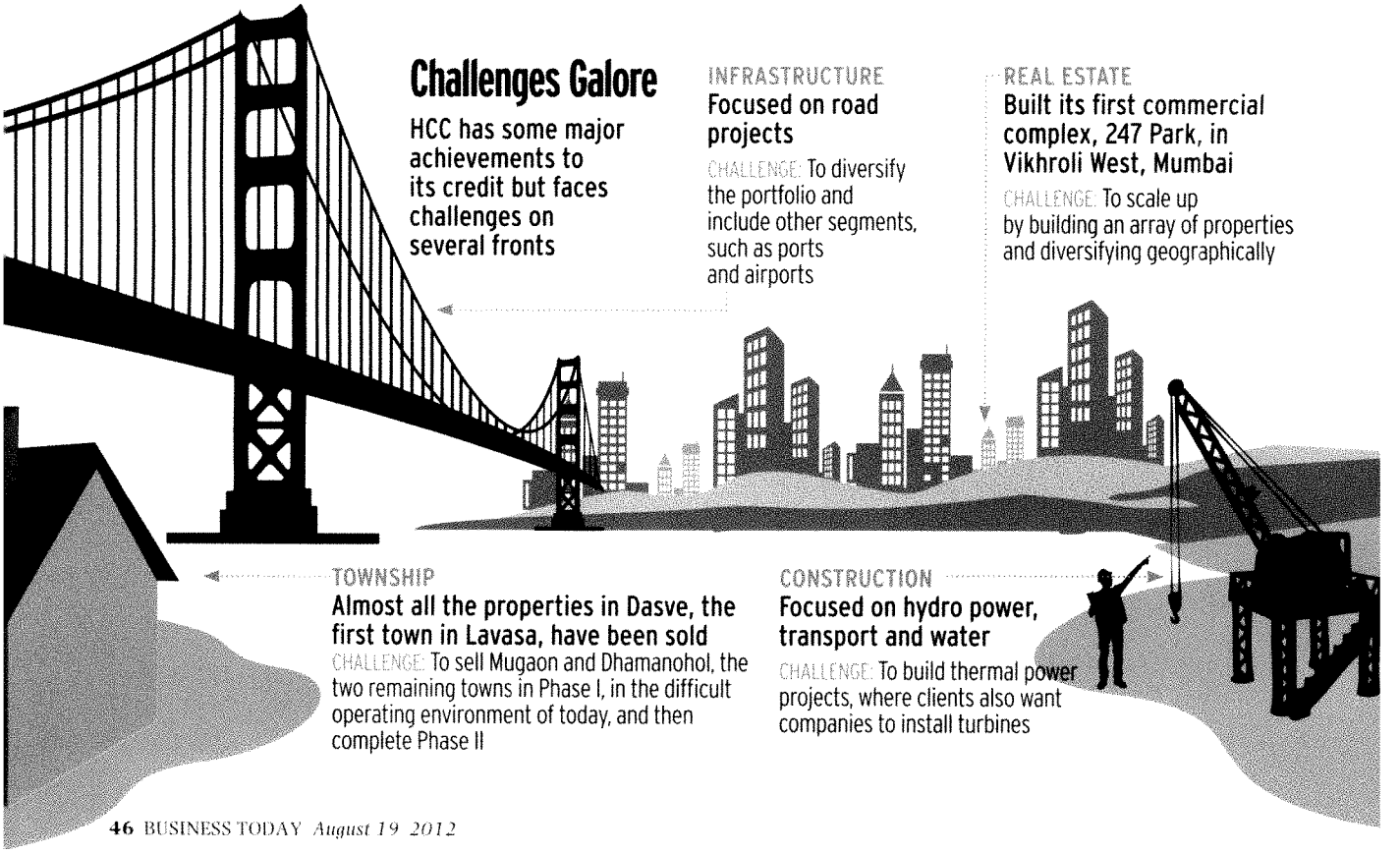
This time the challenges are far bigger. Over the last 15 years, as HCC diversified and took on bigger projects, it accumulated debt amounting to ₹4,300 crore. Servicing it has taken a heavy toll on the balance sheet. In addition, it has non-fund liabilities of ₹4,100 crore, including bank guarantees and letters of credit.

The company reported a net loss of ₹222 crore in 2011/12, on revenues of nearly ₹4,000 crore. On the other hand, its peers – L&T, Patel Engineering and Ramky Industries – enjoy healthy profit margins. In its latest results, for the first quarter of 2012/13, ended June, HCC registered a loss of ₹30.9 crore as against a profit of ₹2.87 crore during the same period a year ago. Turnover fell to ₹969.4 crore from 1,059.6 crore.

The company's stock price, which was around ₹230 in December 2007, has crashed 90 per cent to below ₹20. The BSE Sensex has fallen 20 per cent during the same period. Keeping pace, its market capitalisation has dipped to ₹1,050 crore, a fifth of its value two years ago. In comparison, L&T's market value is at ₹81,000 crore. This has left HCC vulnerable to a hostile takeover though Gulabchand still owns a comfortable 40 per cent.

In March, the company knocked on the doors of banks, seeking to restructure its debt. Restructuring, a common practice globally, provides relief to distressed borrowers through measures such as extension of loan tenures and a moratorium on interest payments.

After four months of negotiations with a consortium of 27 banks, Gulabchand got approval to restructure HCC's term loans of ₹3,200 crore. The original tenure of the loans



Challenges Galore

HCC has some major achievements to its credit but faces challenges on several fronts

INFRASTRUCTURE
Focused on road projects
CHALLENGE: To diversify the portfolio and include other segments, such as ports and airports

REAL ESTATE
Built its first commercial complex, 247 Park, in Vikhroli West, Mumbai
CHALLENGE: To scale up by building an array of properties and diversifying geographically

TOWNSHIP
Almost all the properties in Dasve, the first town in Lavasa, have been sold
CHALLENGE: To sell Mugaon and Dhamanohol, the two remaining towns in Phase I, in the difficult operating environment of today, and then complete Phase II

CONSTRUCTION
Focused on hydro power, transport and water
CHALLENGE: To build thermal power projects, where clients also want companies to install turbines

ranged from one to three years. Under the terms of the restructuring scheme, there will be a moratorium on the principal for two years and repayment will happen thereafter, over a period of eight years. In addition, the lenders have made interest-rate concessions for the first few years. The terms required the promoters to contribute ₹64 crore, of which ₹32 crore has already been paid. Gulabchand says that he has also managed to get additional funding from the banks.

To be fair, Gulabchand isn't the only business baron facing a debt crisis today. He has company in ADAG's Anil Ambani, Future Group's Kishore Biyani, Kingfisher's Vijay Mallya, Suzlon's Tulsi Tanti, and others. "We got hurt a little more because we raised more money to finance various projects, including Lavasa," says Gulabchand in an interview with *Business Today* (page 50).

Height of power: HCC's 45 MW Nimoo Bazgo hydel project in Jammu & Kashmir is 11,000 feet above sea level

Test tube: Kolkata's metro, built by HCC, was India's first underground mass transit system

HCC's troubles truly began in Lavasa, in the Western Ghats, near Pune. In 2006, Gulabchand unveiled plans for a grand township in the region, over 12,500 acres, seven hills and 60 km of lakefront. Its total cost was estimated at ₹50,000 crore and the deadline was 2021. Lavasa would have five towns, complete with homes, offices, schools, colleges, hotels, hospitals, sporting facilities, clubs, and a theme park. A new subsidiary, Lavasa Corporation, was set up to execute the project in two phases. HCC roped in Avantha Group and Venkateshwara Hatcheries as partners.

It started out well, with customers lining up. The subsidiary, in fact, earned higher profits than HCC for two consecutive years. Lenders loved it. They subscribed to Lavasa's deep discount bonds, which would be convertible in 2013/14, and which the company valued at ₹10,000 crore. Axis Bank, for instance, subscribed to bonds worth ₹250 crore with a coupon rate as low as 3.52 per cent. The equity conversion clause made the bonds appealing. An ebullient Gulabchand decided to take Lavasa public. When that happened, the lenders stood to make a killing.

The initial public offering (IPO) was set for November 2010. But just two weeks before that, Gulabchand's world turned upside down when Environment Minister Jairam Ramesh ordered all work at Lavasa to stop. He said the project flouted environmental regulations and much of it was unauthorised.

The pressure began to tell on Lavasa's balance sheet. Sales fell from ₹576 crore in financial year 2010/11 to a mere ₹75 crore in 2011/12, and it posted a loss of ₹137 crore in 2011/12. The deep discount bondholders started knocking on Lavasa's doors, seeking to redeem their bonds. The IPO was shelved.

The contagion of the Lavasa meltdown spread to the parent company. HCC had issued corporate guarantees of nearly ₹1,200 crore to its subsidiaries, of which Lavasa alone accounted for nearly ₹700 crore.

Last month, the Reserve Bank of India put paid to HCC's hopes of a corporate debt restructuring scheme for Lavasa's ₹850 crore debt by refusing to accord the project infrastructure status. Gulabchand says Lavasa has now managed to get in-principle approval from banks for debt restructuring, as well as some additional funding.

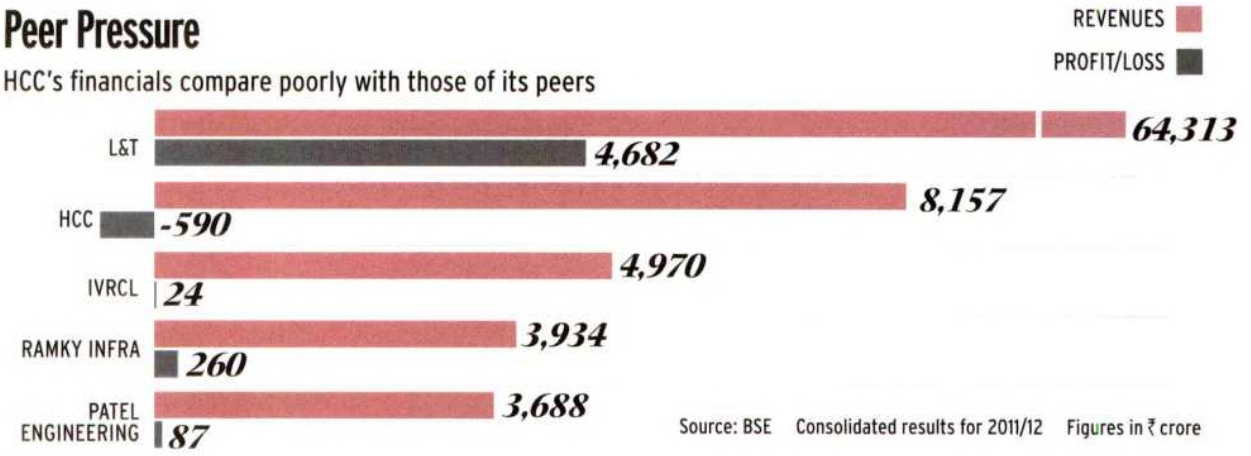
Not that there are too many options. "Lavasa's value is about ₹700-800 crore based on the book value of HCC," says Amit Srivastava, a senior analyst at Nirmal Bang Equities. Dilution of equity is not an option now.

Over the last few months, Lavasa has managed to convince banks to convert their deep discount bonds into non-convertible debentures, though at a higher interest rate of 12 to 13 per cent.

The silver lining is that work on the Lavasa project restarted in November 2011 after getting the green light from the environment ministry. However, the approval has come with many riders. These include environment restoration initiatives, regular monitoring by the ministry, and a stipulation that five per cent of the project cost be set aside by the company for corporate social responsibility initiatives.

Peer Pressure

HCC's financials compare poorly with those of its peers



Source: BSE Consolidated results for 2011/12 Figures in ₹ crore

HCC's other subsidiaries also face challenging times. Debt financing of infrastructure projects at high interest rates took a toll on HCC Infrastructure, which handles highway development. Today, the subsidiary has a debt-equity ratio of 7:3. HCC Group CFO Praveen Sood says the ratio is ideal, but in an situation where interest rates are high and input costs are rising, it will be far from ideal.

Steiner AG, a Swiss construction specialist acquired by HCC in 2010, has accumulated losses of ₹160 crore on its books. It will take the company a while to turn profitable.

In the prevailing environment, HCC will find it hard to raise funding through the equity route because of low market valuations. "Earlier, any bid, howsoever stretched, was eventually financed," says Manish Agarwal, Executive Director (Infrastructure), at PwC. "Now, the situation is reversed and only the safest projects, with strong promoters, are getting financed."

HCC executives say there are no immediate plans to approach the market, though the company has approval to issue new equity shares worth ₹1,500 crore. "That is just an enabling resolution," says Sood.

The negative economic sentiment has also made Gulabchand cautious. Despite a funding crunch, he steered clear of the external commercial borrowings route. Instead, HCC repaid its existing foreign currency convertible bonds of $133.03 million, raised five years ago, in April 2011. "We were afraid of the currency risks. Wisely, as it turned out," says Gulabchand. The rupee has plunged from ₹44 against the dollar in April 2011 to nearly ₹56 now.

One option before the company is the sale of non-core assets. But although news reports have stated that HCC has offered to sell its real estate assets, a few road projects and even two helicopters to repay lenders, Gulabchand dismisses them.

Instead, he is looking to generate resources internally. For instance, HCC can generate ₹1,500-2,000 crore by recovering money due from clients. A year ago, Gulabchand noticed that these dues had risen from ₹500 crore to ₹2,000 crore in two years. That's half of HCC's 2011/12 turnover. Claims on the Bandra-Worli Sea Link alone totalled ₹600 crore. "These are all financed by bankers and if the money doesn't come the interest burden goes up," says Gulabchand. He has formed a team to recover the dues.

Clear solution: The water treatment plant in Bhandup, Mumbai, is the largest in India

HCC may also be willing to dilute a stake in the infrastructure subsidiary. The group had done this earlier, too. In September 2011, HCC Infrastructure mobilised ₹240 crore by diluting 14.5 per cent in HCC Concessions to the Singapore-based Xander Group. If all these measures pay off, HCC could turn profitable again. "We expect HCC to report a net loss on a standalone basis in the next two years. But we expect positive EBITDA during that period," says Kumar of KJMC Capital.

While debt restructuring, claims recovery and asset monetisation will bring in cash, HCC is also going in for

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some organisational realignment. Its four verticals – hydro power, transportation, water solutions and nuclear power – have been collapsed into one. "With the growth rate slowing, there are not enough visible orders... so, we have to become leaner," says Gulabchand. There is also a sharper focus on cash flow management.

On the project front, the focus will be on large contracts, especially in the private sector. In that it hopes to ride on its record. But it won't be a cakewalk. While the long-term prospects are intact, we expect credit quality for the sector to be under pressure in 2012/13 on account of the subdued investment scenario," says Sudip Sural, Director, CRISIL Ratings. This will result in a low intake of fresh orders, slower than expected execution, pressure on credit quality of end-use segments such as power and roads and elongation of working capital cycles.

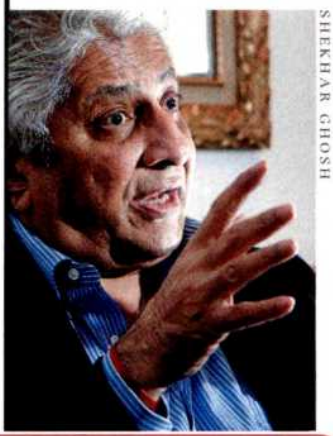
But HCC now has a new jewel in Steiner, the Swiss acquisition, which has delivered projects such as Terminal 3 of the Geneva airport and the headquarters of Nestle, Google and the World Economic Forum. "We wanted to be in the building sector. Factories, airports... Steiner helps us do that," says Gulabchand.

The approval for restructuring of its own debt could not have come sooner for HCC. But Gulabchand knows that it is just a temporary reprieve and that it is imperative for the company to generate sufficient profit to service its interest burden. "There is a lower interest rate, ballooning over the years. In the end, there is no concession," concedes Gulabchand. And until the day HCC exits the scheme, he will have to live with all the controls and scrutiny that come with restructuring.

Once out of the debt restructuring scheme, industry watchers say Gulabchand will concentrate on charting out a succession plan. His son-in-law, Arjun Dhawan, who is currently President of HCC Infrastructure, may get a bigger role. Dhawan led the divestment of the 14.5 per cent stake in HCC Concessions to The Xander Group. He also executed the acquisition of Karl Steiner AG, as the Swiss company was known then. Gulabchand's daughter Shalaka, who is Vice President of business development, could also be given greater responsibility.

Gulabchand's immediate priority is to exit the debt restructuring scheme, bring Lavasa back to normalcy and have an IPO. Only time will tell if that turns out to be the seventh line of defence of the infamous *Chakravyuha* (maze) in the Mahabharata. On the other side, there is glory. ◆

Ajit Gulabchand *was delighted that his second grandson was born on his own 64th birthday. He had just come away from a meeting with a minister and other CEOs who were in the business of building highways. He has spent close to three decades at the helm of the HCC Group, which builds roads, bridges, tunnels, hydroelectric and nuclear power plants and now townships, and traces its genes to the transportation empire founded by his uncle Walchand Hirachand that included aeronautics, automobiles and shipping. HCC Ltd has been in financial trouble – it reported a hefty ₹222-crore loss in 2011/12 – and Gulabchand has been busy rescheduling debt and reviving the ambitious Lavasa project after it was nearly torpedoed by a zealous environment ministry. He spoke with* ***Chaitanya Kalbag*** *in a candid conversation punctuated by the grizzled philosophising that comes with years of dealing with the government as a client. Edited excerpts:*



SHEKHAR GHOSH

"GDP growth will drop way below five per cent. With this slowness, it affects infrastructure"

Chaitanya Kalbag: *HCC on a standalone basis suffered a ₹222-crore loss in 2011/12 (after a ₹71 crore profit the previous year). Was this the first time in your life you actually had to look at losses of this magnitude?*

Ajit Gulabchand: Yes. We got caught at the wrong time in a perfect storm. For example, we built the Bandra-Worli Sea Link (in Mumbai). There are ₹600 crore worth of claims that are still being discussed. Our processes have slowed down drastically. What should have been completed in a year after completing the job, they are still deciding. Nobody wants to decide! If you ask me, we are in a dire state. The GDP growth will drop way below five per cent. With this slowness, it affects infrastructure. The visible order book at the beginning of the year for the whole infrastructure industry for the past two years was about $110 billion. For 2012/13 it is $75 billion. Out of that some $35 billion is still a question mark, depending on some policies.

For the full interview, go to
www.businesstoday.in/hcc-gulabchand

"WE CREATE ENTREPRENEURSHIP AGAINST ODDS"

Are you still planning the Lavasa IPO or is that permanently on hold?

Of course, it is not on permanent hold. Now what we have done is, we looked at various ways to restructure HCC's debt because we couldn't pay it back. So we got that restructured through the Reserve Bank's corporate debt restructuring process. Then we also got the Lavasa debt restructured and refinanced (in principle). In both the cases, apart from restructuring, we have got additional financing.

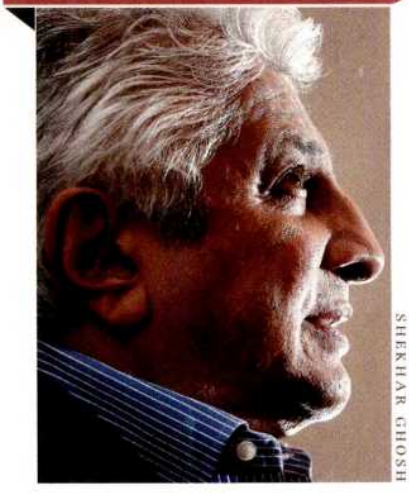
Are those numbers available?

Yes, all the numbers will be available. So as a result, we don't talk too much about it. In today's atmosphere, everybody makes a noise about this. So we decided not to discuss CDR (corporate debt restructuring).

What tenure has the CDR been done for?

Nine years. We will get out of it faster. We will then monetise some assets. We will collect some of these claims and pay back. It should be possible. (Around the time the Lavasa clearances came through in November 2011) Indian banking went into a tizzy. So getting your refinancing sorted out became a longer process than we imagined. To be very honest, quite luckily, we could do this CDR in three months.

"Now, with the growth rate slowing down there are not enough visible orders... so, we have to become leaner"



SHEKHAR GHOSH

But you didn't go for any ECB (external commercial borrowing) or foreign borrowing?

I didn't want to. We returned our FCCB (foreign currency convertible bonds) just a year ago in 2011. We were not going to go for any additional funding. We were afraid of the currency risks. Wisely, as it turned out. We wanted rupees. And we found that there is no way out of this. This money that the government owes us was not coming in a hurry. There was no way to repay. So looking at a way to realign the debt was very important. So we got the restructuring of the Lavasa debt done. Now the formalities in this are being done. We don't like to talk because every little thing becomes a big issue in the (news) tickers. "This has been done. Why was this done?" Then I refuse to talk on the subject only because of this. If I answer that, next day [it will be] "Gulabchand says this". The third day somebody else would say something else. So a one-day story becomes a five-day story. I am going to recommend a ticker tax.

Are you selling any core assets to get more cash?

No. There are two issues. One is obviously, whether there was a CDR or not, given the lean period that we are in, we have trimmed down. We had developed four or five verticals in the hope that each

vertical would become the size of a company. Now with the growth rate slowing down there are not enough visible orders ...so we have to become leaner.

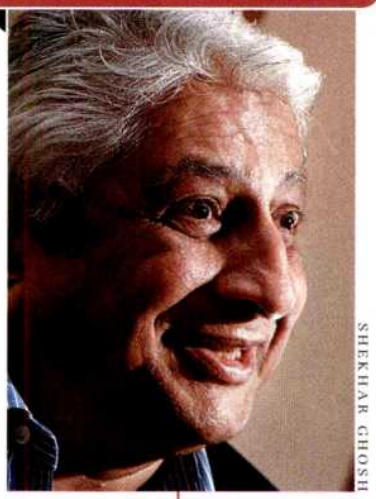
What is your order book right now?
It is ₹15,500 crore.

What have you done to tighten cost management?
We have collapsed these verticals (into one), made our organisation leaner. We will focus on all large projects. The other cost saving we are bringing about is in engineering. Everything in expansion mode always gathers a little bit extra so that we are trimming now. And next is we are sharpening our cash flow management. That's it. We will focus on fewer projects, large projects, expand more into the private sector, doing the same thing in a more humble and more concentrated way.

So what advice do you have for those who come into this sector?
I say if anybody wants to invest in this country for the short term, six months, one year, two years, go home, go elsewhere. For those who want to look at this in the long run, stay here. It is not bad; it is tough initially. Look at JCB, the construction equipment company. They are the largest in India. They will go through this trouble.

What keeps you going?
See, this is the business I know. The most important thing is that I believe both these businesses – engineering construction and concession as well as urban development – are the dire need of Indian society so they are bound to expand. So you marry the ability to meet the need as well as to make money for your shareholder. Given the few glitches like these, I still think it is the best bet in the world to be here. I also have heritage – Walchand Hirachand. He was the founder of the transportation industry. He founded Hindustan Aeronautics, Hindustan Shipyard. He built Scindia Shipping. Automobiles. Construction. So you come from a stock that has, against certain odds, created entrepreneurship in this country. Once this hump is over, once this government is humbled from its control passion, it will start seeing that prosperity has to be brought in with speed if these people have to be kept satisfied.

"The sad part about corruption is not the money that is lost, but the public trust it destroys"



SHEKHAR GHOSH

Outside of Lavasa, what are the big things you are looking at?
Lavasa is a very large project. The ultimate investment in it is of ₹50,000 crore. HCC builds, these are construction services, whether it is engineering and procurement and construction or EPC, it is a service industry. Concession is another way you own and manage assets. We now have about ₹7,000 crore worth of assets under management. These are roads in different stages of construction and operation.

There is a perception that the 2000s, when several huge infrastructure projects were launched, also triggered very large-scale corruption.
I do not dwell on the word corruption too much for one reason: are we having policies that go forward? When you see the word corruption...it is everywhere. The jails all over the world are full increasingly with white-collar crime. I am not saying therefore that I support corruption. I am only saying that doesn't seem to be the reason why progress does not happen. Progress happens because of good policies, creation of a market economy. The sad part about corruption is not the money that is lost, but the public trust it destroys. And therefore it stalls decision making. Because every time probably trust is destroyed, every decision maker wants to be absolutely sure that he is above board; "so I took my time". If he gives decisions too early, which he should, he will be doubted. So he spends all his time to tell the world he is kosher. And yet the public does not believe him because it has lost trust. This is the biggest danger of corruption in my opinion.

However a lot of policies lead to corruption. For example, the solution to certain types of corruption is having plenty. When we were kids we used to have a terrible time about milk. We used to stand in queues for milk. Milk adulteration was a daily occurrence. There was a shortage. The moment 'Operation Flood' started, India now throws away milk every day. Do you hear of milk adulteration? We don't any more. No price rigging of milk because it is so plentiful. So sometimes, creating plenty solves the corruption. ◆

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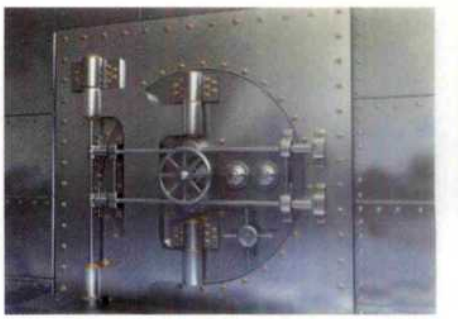

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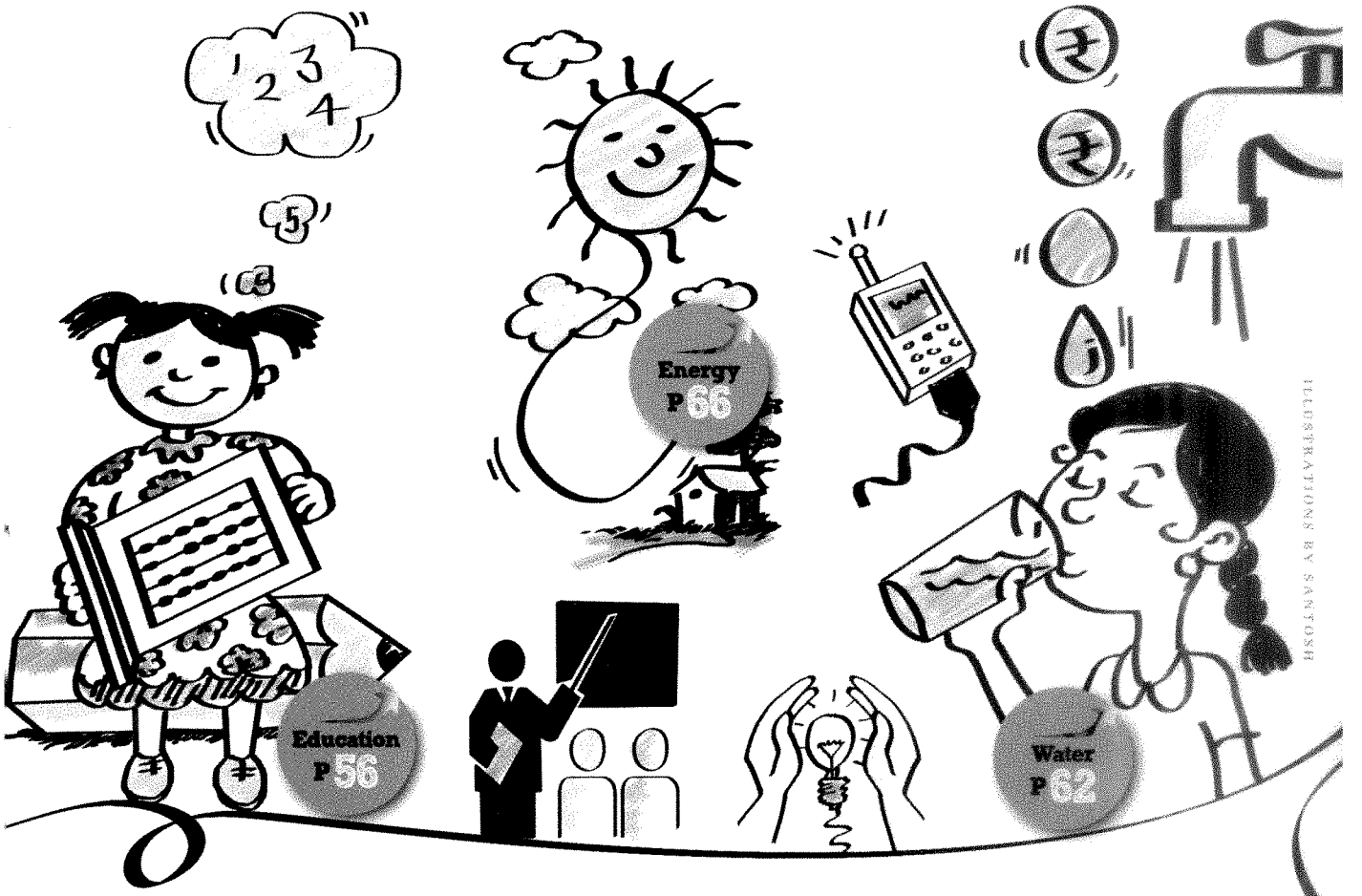
Quiet

A look at some remarkable innovations being deployed to solve India's most pressing problems.

By ALOKESH BHATTACHARYYA



ILLUSTRATIONS BY SANTOSH

Revolutions

A revolution is underway, but of a different kind. Thousands of companies, governments, and regular men and women are working to address some of India's seemingly intractable problems. Poor health-care systems, unsafe drinking water, substandard quality of education, inefficient farming methods, and paucity of electric power are problems that we have resigned ourselves to. But these issues are being tackled head-on with startling, innovative ideas.

In Tamil Nadu, the introduction of activity-based learning in government schools has greatly improved the quality of its elementary education. In Maharashtra's Gadchiroli district, Dr Abhay Bang's SEARCH trains villagers in the intricacies of caring for newborn babies. In Karnataka, Harish Hande brings light to the poor in the form of innovative solar solutions. Villages in many states see succour in an area they suffer most – drinking water – from water purification plants run by Sudesh Menon's Waterlife in partnership with state governments. In Maharashtra's Jalgaon district, farmers are being trained in the sophisticated science of precision farming, a science that gives them much greater yield, using fewer resources, than conventional farming methods.

Of course, there are many, many others, too. The best part is that the innovators are expanding their reach; others are also replicating their models elsewhere. In effect, they are not only helping people in need, they are also helping build sustainable 'social' businesses across the country.

Class Act

Five years ago its students were struggling. Today, activity-based learning has taken Tamil Nadu to the top of the elementary education charts. By N. MADHAVAN

The Panchayat Union Primary School in Kumaran Kottam village, 55 km from Coimbatore, does not fit the stereotype of the average Indian school. It has no tables, no chairs and no regular classes. Teachers sit on the floor. Students do likewise, in little circles. In some rooms, students from different grades sit together. All of them are busy. Some write on low blackboards, some draw, some use an abacus. In one room, a puppet show exposes the pupils to mathematical tables... This is the world of activity-based learning (ABL), an initiative that has transformed elementary education (classes I to IV) in Tamil Nadu.

ABL, based on the pedagogical principle of learning through activity, was launched across Tamil Nadu's 37,486 government and government-aided schools in 2007/08. It has catapulted the state to the top of the elementary education charts (see *Quiet Revolution*), going by surveys conducted by the National Council of Educational Research and Training (NCERT).

In 2004, Tamil Nadu's students' performance at the elementary level was below the national average. Students in Class III scored just 53.48 per cent in NCERT's mathematics test. In 2008, just a year after ABL was introduced, this score jumped to 75.20 per cent – the highest in the country. The same is the case with language (Tamil) and other subjects. All this has been achieved with no extra budgetary support from the state.

The success is not restricted to just academic outcomes. Surveys have found that the children have greater self confidence, higher levels of motivation and less fear of exams. Take the case of S. Surendar, who was in the first standard in 2006/07. Teachers at the Rani Meyammai Primary School in Chennai's Adyar locality were at their wits end as he constantly cried in class and failed to master basic skills, especially in mathematics. "ABL transformed this boy. The activities got him interested and he began learning very quickly. Today he is in the seventh standard and among the toppers in his class," says N. Manimekalai, headmistress of the school. ABL has spawned many Surendars, she adds.

Problem

Despite the state government spending ₹4,000 crore annually on elementary education, children in Tamil Nadu were struggling to pick up basic skills

Solution

Activity-based learning, introduced across government schools, led to academic standards rising sharply in the state. (In pic) A student at Rani Meyammai School in Chennai learning multiplication

The story was very different in 2005, when an NCERT survey left officials in Tamil Nadu's Elementary Education Department stunned. It revealed that 65 per cent of Class V students in government and aided schools did not have a grasp of basic mathematical skills such as addition and subtraction. Thirty five per cent could not read or write in their first language, Tamil. The survey triggered some soul searching within the state government, which, back then, spent close to ₹4,000 crore annually on elementary education alone. The state provided excellent school infrastructure, had enough teachers and low student dropout/absenteeism rates. And yet, its students were performing poorly.

For M.P. Vijayakumar, an Indian Administrative Services (IAS) officer, the findings proved to be a blessing in disguise. Serving as Commissioner of Chennai Corporation at the time, he had designed and implemented ABL to good effect in the 264 schools that the local body administered. And he would spearhead its adoption and implementation in state-run and aided schools across Tamil Nadu. "When I heard of the government's predicament, I invited

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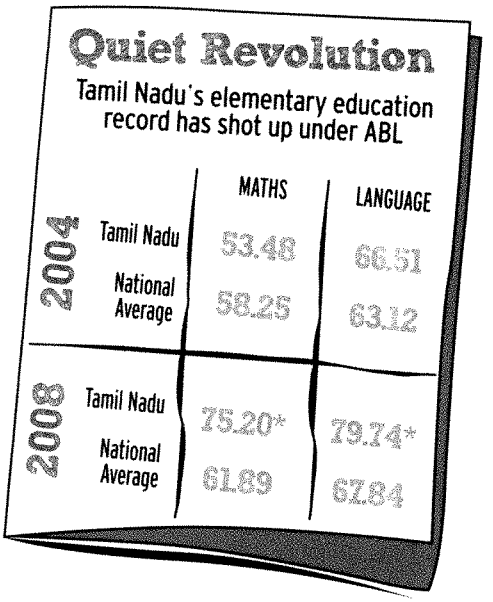


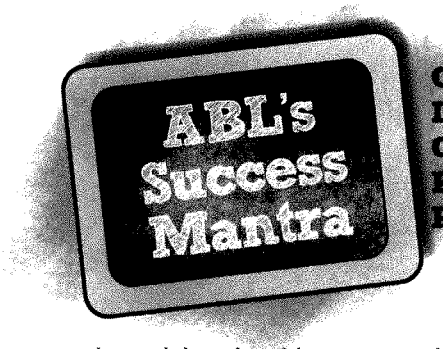
*TN ranked first among all states in the country
ABL was implemented in all TN schools in 2007/08
The data pertains to Standard III
Figures are average marks in percentages
Source: NCERT achievement study 2008

myself to the executive committee meeting of Sarva Shiksha Abhiyan – Tamil Nadu held towards the end of 2005. I convinced the committee that the classroom process was the problem." The problem, he said, lay in the teaching method, which focused more on rote learning (see *Traditional Teaching*). Vijayakumar, who has since retired, is currently a member of the National Resource Group of the Ministry of Human Resources and Development's Sarva Shiksha Abhiyan programme.

Flawed System

Vijayakumar had actually woken up to the shortcomings of the elementary education system during a stint as Collector of Vellore District in North Tamil Nadu in 1993. The administration at the time was implementing a programme for abolition of child labour and bonded labour – notorious in the district's beedi factories. Officials found the 6,000 or so children weaned out of the drudgery of beedi-making struggling to cope in non-formal schools. These schools had been set up especially for the children, to prepare them for a return to mainstream schooling as their education had been disrupted. Some of the struggling students even went back to work. This made the officials look for an alternative system of education.

In Rishi Valley School, located in Andhra Pradesh's Chittoor district, they found a system that was being put to effective use among tribal children. "The basic philosophy of that system is that children do not learn by listening alone. They also learn by doing, experiencing and reflecting. We borrowed this idea and introduced it into our non-formal schools," says Vijayakumar. Numbers, for instance, were taught as rhymes or through activities and games. The core philosophy was to help students act and think independently, avoid rote learning and solve problems creatively. The children loved these methods and were quick to learn. They began to excel in the formal schools as well. This made the team from Tamil Nadu question the efficacy of the formal schooling system and consider taking ABL to regular schools.



Clarity of vision
Looking beyond govt diktats
Change through demonstration
Political backing
Proper hand-holding

Vijayakumar got the opportunity to implement the system in Chennai when he took over as Commissioner of the city corporation in 2003. Teachers were sent to Rishi Valley for training and to prepare teaching material. The national education policy has stipulated that between classes I and IV, a student should acquire 554 competencies, including addition, subtraction, alphabets, forming words, and so on. These were used to draw up various activities. To start with, ABL was piloted in 13 schools in 2003/04. A year later, it was implemented in all the 264 Chennai Corporation schools.

The state-wide implementation involved 37,486 schools, 140,000 teachers and three million students. "We had picked up 10 schools in each district to start with during academic year 2006/07, but we had to train the teachers," recalls Vijayakumar. So, a massive training programme was started.

Traditional Teaching

- Focus on teaching not learning
- Classrooms are teacher-centric
- Learning driven by listening
- Emphasis on rote learning
- No teaching materials or learning aids
- Learning far from fun

Activity-based Learning

- Focus on the student
- Learning through fun activities
- Teachers play only facilitators' role
- All five senses used to learn
- No exams. Only understanding assessed
- Classroom facilitates peer learning
- Classroom creates conditions to develop thinking, build self confidence

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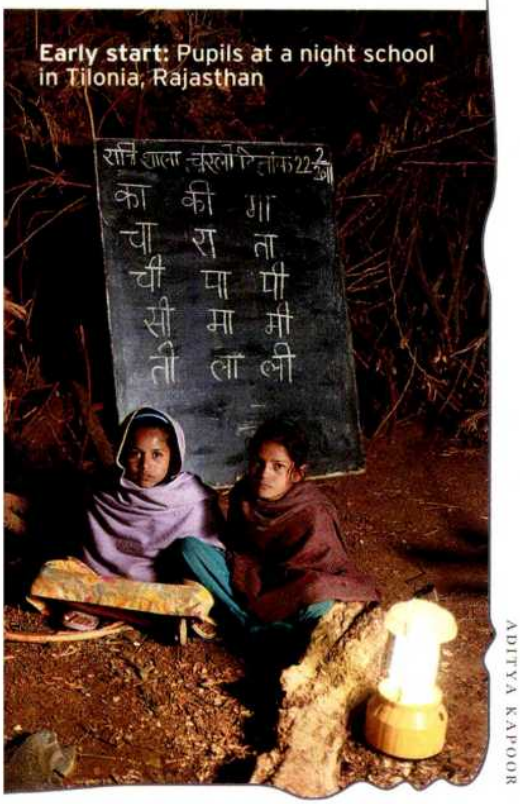
Barefoot Wisdom

The Social Work and Research Centre, also known as the Barefoot College, works with underprivileged women, helping them build livelihoods within their own communities. The college, which runs entirely on solar power, is located in Tilonia village in Rajasthan, about 95 km from Jaipur. It was set up in 1972 by Sanjit 'Bunker' Roy, a former national squash champion. The name 'barefoot' was inspired by a programme in China, where rural villagers were trained as health workers in the 1960s to assist their own communities. The institution is now administered by the villagers of Tilonia. Over the last four decades it has trained three million women, helping them become school teachers, midwives, health workers, solar engineers, computer instructors and accountants, among other things.

Apart from Indian women, scores of women from Sub-Saharan Africa and South America have trained at the college over the years. In India, the model has been replicated across 14 states. The later initiatives were all taken by people who trained at the Barefoot College.

DEARTON THOMAS HECTOR



Early start: Pupils at a night school in Tilonia, Rajasthan

ADITYA KAPOOR

H.K. RAJASHEKAR

"Political will was the key and successive governments backed us to the hilt"

M.P. Vijayakumar, retired IAS officer

Over 40,000 teachers were brought to Chennai to train, and to watch ABL at work in the Corporation schools. And teachers from the Corporation schools were sent across the state to train other teachers.

But implementing the system across thousands of schools came with its share of problems. There was resistance from some teachers, with a few complaining that they could not sit on the floor. "It was a hassle initially. But once we understood ABL, it gave us freedom," says headmistress Manimekalai. A few parents, too, were unhappy with the new system, which was multi-grade, had no exams and no homework. But the students enjoyed it.

"Despite facing these issues, we persevered. Political will was the key and successive governments backed us to the hilt," says Vijayakumar. The tide turned slowly and resistance evaporated.

ABL has sparked another transformation, one that was hard to imagine until recently. It has altered the student profile in government and aided schools, where students by and large hail from poor families. "Almost 20 per cent of our 686 students are from the middle class today. We are even getting students from the nearby convents," says Manimekalai.

But challenges remain. A recent NCERT study that looked into the efficacy of ABL pointed out shortcomings in teacher training and learning material. It has also raised safety concerns over the plastic beads used in mathematics kits.

For now ABL has become a showcase project. The Department of International Development, UK, recently held a retreat for its education officers (from 70 countries) in Chennai to enable them to see ABL at work. Even China sent a team to study the system. In India, it is being piloted across 17 states.

On the ground, the satisfaction is of a different kind. Says V. Soureeswari, a teacher in the Kumaran Kottam school. "Earlier the focus was on finishing portions. Today I go home satisfied that the children have learnt properly."

Water P62

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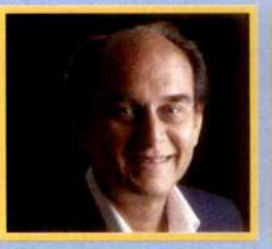

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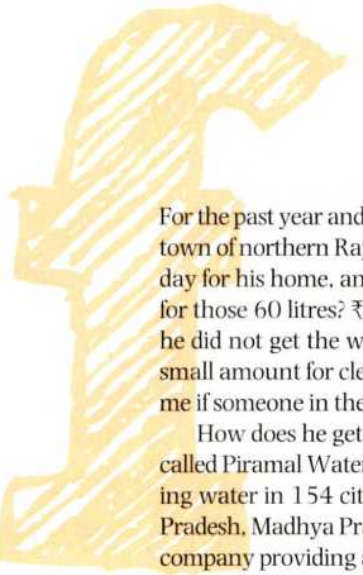
Let's Drink to That

Supplying clean drinking water to the masses can be a profitable and scalable business. Sarvajal and Waterlife show how. By G. SEETHARAMAN and E. KUMAR SHARMA



For the past year and a half, Saurabh Jindal, a marble and tile seller in Sangaria town of northern Rajasthan, has been buying 30 litres of drinking water every day for his home, and an equal amount for his shop. How much does he pay for those 60 litres? ₹30. It would cost even less, just ₹18, or ₹0.33 per litre, if he did not get the water delivered to his doorstep. "I don't mind paying this small amount for clean water," he says. "It is far less than what it would cost me if someone in the family fell ill from drinking tap or well water."

How does he get clean water so cheap? It comes from a private company called Piramal Water Pvt Ltd which, under the brand Sarvajal, supplies drinking water in 154 cities, towns and villages across Rajasthan, Gujarat, Uttar Pradesh, Madhya Pradesh, Haryana, Delhi and Maharashtra. Another private company providing a similar service is Waterlife India Pvt Ltd, whose purified water sells in eight states at ₹5 for 20 litres, or 25 paise per litre.

Clean water for all is one of the country's most urgent needs. Industry estimates maintain that around 720 million of India's 1.25 billion population still lack access to it. Diseases such as diarrhoea, caused by water unfit for drinking, still claim thousands of lives annually. No doubt in recent times there has been a concerted effort to address the problem, with around 2,500 community water projects being set up, which cover nearly nine million people across 5,000 villages. But a great deal remains to be done. Besides, the majority of community water projects is state-funded and remains partly or wholly subsidised. In contrast, Piramal Water and Waterlife seek to make clean water for the masses a self-sustaining business proposition.

Problem

Unsafe drinking water, especially in villages and small towns

Solution

Providing clean water at affordable cost. Waterlife, headed by ***Sudesh Menon*** *(in blue shirt, left) helps state governments do so by taking over the maintenance of water purification plants*

Sarvajal was started by the Ajay G. Piramal Foundation, the corporate social responsibility arm of the Piramal group, in August 2008 as a charitable initiative in the Piramals' native village of Bagar in the Jhunjhunu district of Rajasthan. But it soon became a regular business venture when its founders realised people were ready to pay for safe drinking water. "If people are willing to pay, we thought there should be a business model for it," says Anand Shah, who heads the project.

To achieve scale, he decided to appoint franchisees, to whom Piramal Water supplied water purifiers. So far 154 franchisees have been appointed across the seven states, who pay ₹50,000 as initial charges and thereafter share 40 per cent of their revenue with Sarvajal. While unwilling to discuss financials, Shah maintains the business will turn profitable in two years.

The water undergoes reverse osmosis and ultraviolet treatment before it is supplied. Piramal Water and its franchisees typically do not use the ozonisation process for purifying water that big companies do. The ozonisation process as well as some other purification methods, along with advertising and distribution expenses, are among the reasons why big companies sell bottled water at a much higher price.

Sarvajal has also installed 17 'water ATMs' (automated teller machines) in Gujarat, Rajasthan, Maharashtra and Delhi. Customers can buy prepaid water cards and use these at the ATMs.

Waterlife was the brainchild of three idealistic young men, Sudesh Menon,

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Tata's Other Nano

With the commercial launch of the Nano minicar in March 2009, which then cost just ₹1.2 lakh at dealerships, Tata Group Chairman Ratan Tata realised his dream of bringing cars within the reach of consumers who could not have afforded them before. He took another step in the same direction, of tying affordability to innovation, when he unveiled the water purifier Tata Swach nine months later. Developed by Tata Chemicals with help from Tata Consultancy Services (TCS), Titan Industries and other Tata Group companies, Tata Swach came in two variants, priced at ₹749 and ₹999, at a time when most other purifiers cost more than ₹2,000. Currently, these two Swach variants cost ₹899 and ₹1199, respectively.

Tata Swach water purifier

When it was launched in December 2009, Tata Chemicals spokespersons said the company had earmarked an investment of ₹100 crore over five years for producing, developing and launching more water purifiers.

To distribute Swach, Tata Chemicals has also tapped into the vast Tata network across the globe. For instance, TCS distributed 2,000 Swach purifiers as part of its relief efforts in Chile after the earthquake there in February 2010.

"Innovations that affect people at the bottom of the pyramid are no longer restricted to start-ups," says Rajiv Narang, Chairman and Managing Director of Bangalore-based innovation advisory firm Erehwon Consulting. "Even big corporate houses are increasingly active in that space as they want to go beyond corporate social responsibility initiatives and because it's profitable as well," he says.

The launch of Tata Swach soon prodded other companies to follow suit and launch water purifiers in a similar price range. The household purifier market is worth ₹1,500 crore, with many unorganised players.

G. SEETHARAMAN

SHAILESH RAVAL

A Sarvajal water ATM in an Ahmedabad slum. There are 17 of these in four states

Mohan Ranbaore and Indranil Das, who quit jobs with multinational companies to set it up in January 2009. "We realised that most community water projects are unsuccessful because very little is spent on operating and maintaining the purification plants," says Menon, its CEO. "There is no revenue stream to meet operation and maintenance expenses." Thus Waterlife embarked on a public-private-partnership model which was unique at the time: the three men persuaded state governments to let them maintain the water purification plants the states were setting up, charging a user fee from customers for doing so. Currently, Waterlife runs 2,000 such plants of all sizes. Menon claims the company is growing at nearly 300 per cent per year.

Since then a number of other state governments have replicated the Waterlife model, getting private companies to ensure their purification plants remain functional. Waterlife was also one of 15 companies from 10 countries which won the G20 Challenge on Inclusive Business Innovation Award in June this year. "We are highly flexible," says Menon. "In Uttar Pradesh, for

9 million people in 5,000 villages are served by community water projects

instance, we are even working with individual hand pumps. We have attached fluoride and arsenic removal units to about 500 hand pumps to combat the fluoride and arsenic poisoning problem in some parts of the state."

Waterlife also generates considerable indirect employment. "The challenge in inclusive growth is to increase the size of a rural consumer's wallet with higher earnings or by reducing costs, rather than just get a share of the wallet," says Rajiv Narang, Chairman and MD of Bangalore-based innovation advisory firm Erehwon Consulting. Waterlife does just that. Amit Kha from Kolkata, for instance, was previously unemployed, while Paritosh Mahato, also from Kolkata, ran a grocery store which earned him very little. Today both are Waterlife's 'distributors' – they buy 20-litre water cans for ₹5 from a Waterlife plant and supply them daily over a radius of 20 to 30 km. Naturally they charge a little more, ₹7 to ₹8, in the process earning around ₹6,000 a month.

Energy P66

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Spreading Sunshine

Harish Hande's solar lighting systems are not cheap, but for those still without electricity they are a godsend. By **K.R. BALASUBRAMANYAM**

In 1994, nearly half a century after Independence, Mullaria village in Kerala's Kasargod district still had no access to electricity. In this, it was no different from two-thirds of India. Kerosene lanterns lit most homes in the village, darkening walls and blackening lungs. But Mullaria would usher in a quiet revolution, thanks to Handattu Harish Hande. An alumnus of IIT-Kharagpur, and a PhD in energy engineering from the University of Massachusetts (Lowell), Hande had devised a solar lighting system but was finding no takers for it. Arriving in Mullaria, he tried in vain to convince Arvind Rai, a local farmer, of its benefits. But the tenacious engineer refused to give up. One day, when Rai was away, Hande installed a solar lighting system in the house with the support of the farmer's mother. He did not take any payment and simply wanted the family to try out the system, which powered four lights. A week later, when Hande returned to the house, Rai gave him a warm welcome and settled the entire bill of ₹12,000.

Rai was Hande's first customer, but since then he has sold around 145,000 such systems to households, small businesses and community projects in Kerala, Karnataka and Gujarat. Most of them are in Karnataka, the state in which the 45-year-old Hande has settled down. He has proved that poor and rural folk are willing to invest in reasonably priced technology. His achievements saw him pick up a Magsaysay Award in 2011.

It was a visit to the Dominican Republic in 1991, and specifically his exposure to the work of Richard Hansen, which showed Hande how solar energy could transform the lives of the poor. While working on his doctorate, he travelled to the tiny Caribbean nation and saw for himself how Hansen, an American engineer who shifted there in 1984, had used solar energy to provide electricity to thousands of poor Dominicans. Hande decided to do something similar in his own corner of the world.

Another inspiration was Neville Williams, a journalist and renewable energy champion, whom Hande met while at Massachusetts. It was along with Williams that Hande launched the Solar Electric Light Company (SELCO) in Bangalore, in 1995, soon after his solar lighting system began getting its first customers. SELCO has since grown steadily, earning profit after tax of ₹72 lakh on a turnover of ₹18.50 crore in 2011/12. Most of its customers come from low income groups. "The families we dealt with last year have a monthly income of between ₹3,000 and ₹4,000, and they bought systems that cost between ₹8,000 and ₹20,000," says Hande.

SELCO's ownership today rests with three foreign non-profits: The Lemelson Foundation, Good Energies Foundation, and E+Co. Every staffer, including Hande, is an employee. The company has offices in Karnataka, Maharashtra, Kerala and Gujarat. The firm does not take out profits but reinvests in the business.

Around 400 million people in India still have no access to electricity, according to government estimates. The Centre's goal of providing at least one unit of electricity a day to all homes by 2012 remains unmet. (One such unit or kilowatt hour would light a single 40-watt bulb for 24 hours.) "Many villages either have no power, or get scanty power. We visit such villages, ex-

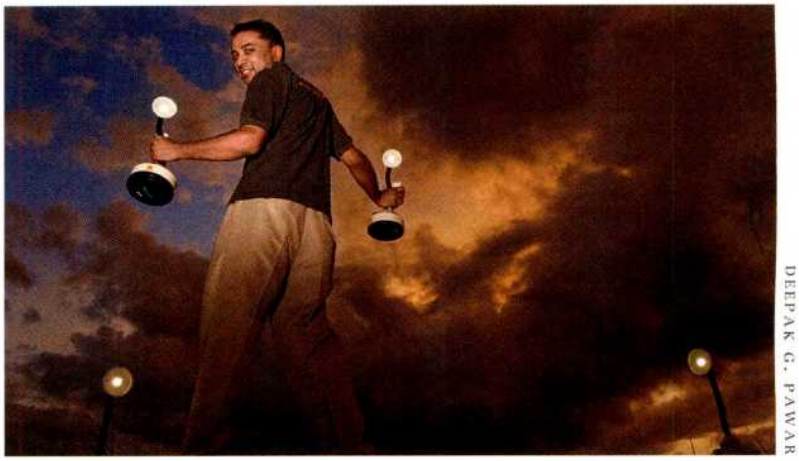
Problem

Even today, there are 400 million homes, around a third of India's population, with no access to electricity

Solution

SELCO provides solar systems to poor households, small businesses and community projects. (In pic) Slum children in Thubarahalli, near Bangalore, using SELCO lamps to study

DEEPAK G. PAWAR/WWW.INDIATODAYIMAGES.COM

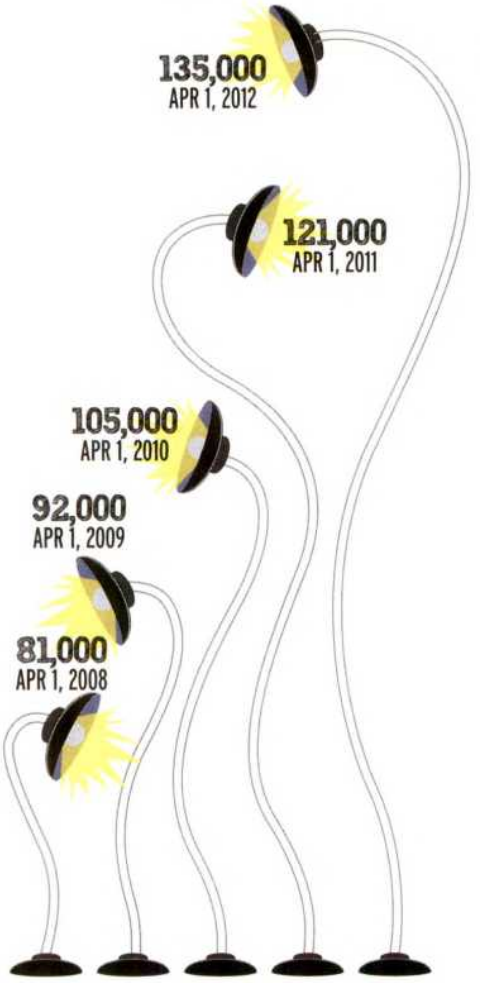


DEEPAK G. PAWAR

"We run SELCO like a sustainable business"
Handattu Harish Hande, Co-founder, SELCO

Lighting up More Homes

Number of systems installed by SELCO



SELCO's Most Popular Products

Twin LED Lights ₹7,750*	4 Comby Lights ₹16,000
Twin CFL Lights ₹10,250	4 CFL Lights ₹22,300

*Includes a solar panel, battery, regulator, and accessories

plain our solar applications and arrange bank loans for interested buyers," says Guruprakash Shetty, SELCO's Area Manager for South Karnataka.

A SELCO system consists of a panel, a battery and a charge regulator. It can power low wattage appliances such as lights, fans, television sets, mobile chargers and radios. The solar panel's batteries get charged during the day and store the energy – which enables the system to keep functioning for about 12 hours without being recharged. It is eco-friendly in other respects too: a system using, say, three solar lights cuts kerosene consumption by four to six litres a month and thereby reduces seven tonnes of carbon dioxide emission over 20 years, says a SELCO study.

Not Cheap

SELCO products, however, are not subsidised in any manner. There is no state support of any kind, though the government is the biggest beneficiary of SELCO's efforts. "We help reduce the state's kerosene subsidy bill by replacing kerosene lamps and stoves with solar-powered products," says Hande. "In return, the government taxes us at 30 per cent, while giving tax breaks to IT companies which earn millions." Not surprisingly, SELCO's lighting systems do not come cheap. Its most affordable offering, a single light system, for instance, costs ₹7,500. "We run SELCO like a sustainable business. We keep a margin of 22 to 24 per cent," says Hande. While panels, batteries and other accessories are bought from various vendors, SELCO manufactures the solar lamps at its own facility in Mangalore.

K. Subramanya, former Tata BP Solar CEO, says the company has been successful because of Hande's extensive effort at connecting banks with rural households. Often SELCO has had to stand guarantor for borrowers that banks felt were not credit-worthy. Another offshoot of its business is villagers opening bank accounts to save a part of their earnings.

SELCO executives also help villagers find market linkages for their produce to enable them to repay the solar loans.

Most rural borrowers repay. "Some eight per cent default, but most such cases are due to genuine reasons like crop failure," Hande says. K.M. Udupa, Chairman of Malaprabha Grameen Bank, was the first banker to extend such loans in India, introducing them in Dharwad, Karnataka, in 1995. He gave loans to 100 rural families. Udupa later joined SELCO's board. Today, even some areas that are connected to the grid use SELCO's lighting system as a backup, because of power outages. In Karnataka itself, for instance, rural

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areas are denied power for at least eight hours a day, on average.

"The best part about SELCO is its after-sales service. The team is available 24/7 to fix any problem, and its products come with long warranty periods," says L.H. Manjunath, Executive Director of Shri Kshetra Dharmasthala Rural Development Project (SKDRDP), a non-profit run by the Dharmasthala temple in Karnataka. SKDRDP first partnered with SELCO in 1999 to provide solar lamps to 1,000 homes in Karnataka's Belthangady taluk. In 2012/13, they will provide solar lighting systems to 20,000 homes in 15 districts in Karnataka. The Dharmasthala temple itself uses SELCO's solar system to heat 100,000 litres of water a day at its lodging facilities.

7 tonnes: Reduction in CO2 emission over 20 years with one SELCO system of three lights

Customer interactions have often thrown up useful business insights for SELCO. For the last few years, for instance, SELCO has been supplying street vendors with solar lamps at a daily rental of ₹10 to ₹15 to wean them away from kerosene lamps. Potato sellers ask for lamps that beam yellow light because white light exposes black spots on the potatoes. Tomato sellers, on the other hand, want only white light because it makes the berries look brighter.

Hande's success has inspired many others to enter the solar product market. ONergy, a Kolkata-based social enterprise in renewable energy, names him among its mentors. The 25-member ONergy team, active since 2009, has installed solar lighting systems in 3,000 households. "Our aim is to create 50 renewable energy hubs in East India in five years and educate villagers about the benefits of solar energy," says Vinay Jaju, Chief Operating Officer. The firm has five hubs now. Other companies, such as Duron Energy, Orb Energy and SunDeep Energy, also sell solar products for various applications.

Future Goals

Hande, meanwhile, wants to reach out to still poorer people, work with the poorest of the poor. He wants 20 per cent of SELCO's turnover this year to come from families with a monthly income of ₹3,000 or less. The company also has a non-profit arm, the SELCO Foundation, which has set up two 'labs'– in Ujire, Karnataka, and Ahmedabad, Gujarat – to identify the needs of the poor, suggest products and solutions, find companies to meet them, and recommend financial models that will enable the poor to afford them. By 2016, he wants to have six such innovation labs. "India can be the centre of innovation for the removal of poverty," he says.

Simultaneously, Hande is pursuing the notion of seed-funding aspiring young entrepreneurs from rural India who have business ideas linked to fighting poverty. Says Subramanya, the former Tata BP Solar chief executive: "This country needs more men like him. We have barely scratched the surface in reaching solar applications to rural homes. Harish must spread out and influence the beginning of many more such initiatives."

"The system we bought in 1994 is still in good shape," says Rai of Mullaria village. "We could even watch television with it." If he no longer uses it, it is only because his home began getting regular electric supply from the grid four years ago.

Agriculture P72

Alternative Grids

Sarkari sasti hai, par aati nahi," says Ram Kumar Shukla, 48, referring to the power situation in Thigra, his village in Uttar Pradesh's Sitapur district. Indeed, while state-supplied power is cheap, Thigra, just 90 km from Lucknow, gets none of it – the village is not connected to the grid. Shukla and other villagers have been enjoying the benefits of electricity, thanks to Mera Gao Power (MGP) and its solar microgrids.

MGP was set up in 2010 by Nikhil Jaisinghani and Brian Shaad, both from the US. To date, the company has given people in 35 villages in Sitapur district, including Thigra, access to electricity.

MGP's microgrids are standalone devices. They consist of two solar panels of 120 volts each and two batteries that store power. Each microgrid generates enough electricity to power 35 households for seven hours. The power that is generated is supplied to household through cables and is sufficient to run low wattage appliances such as lights and mobile chargers. The villagers pay the company ₹100 each month for their consumption.

SANJAY SONKAR

Powering lives: Residents of Thigra village with MGP-installed solar panels

"Solar runs on its own. We don't want the HR and operational and maintenance costs that come with other modes of microgrid power," says Jaisinghani.

Each microgrid costs around ₹65,000. MGP makes that investment and expects to recoup its costs in three years.

ANAND J.

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Bang on Target

Precision farming can solve many of India's farm ills and address its food security issues. By N. MADHAVAN

At first glance, Nimbol, 400 km away from Mumbai, seems like any other agrarian village in Maharashtra's Jalgaon district. It has narrow, dusty lanes. Its houses are simple, tin-roofed affairs. And its farmers turn out in white, from the topis on their heads to their kurtas and trousers. Go further inside the village, however, and you enter a different world – one with big bungalows, big cars and modern amenities. This is new Nimbol. B.V. Patil, a village leader and President of the All India Banana Growers' Association, explains how the village acquired its split personality. "Until a few years ago, we, too, used to live in tin-roofed houses. And then, precision farming happened. Our incomes rose and we built large houses on the other side of the village." Cross the Tapti river, which cuts through the district, and the story is pretty much the same.

Most Jalgaon's farmers owe their prosperity to precision farming, an agricultural method first tried out in the district in 2002/03. This technique focuses on utilising resources optimally to improve the quality and quantity of crops while lowering the cost of production. It reduces fertiliser and pesticide use, prevents soil degradation, utilises water optimally and raises productivity. Globally, this is done with the aid of modern, eco-friendly farming practices and technology, including satellite imagery and information technology.

"This innovation can go a long way in tackling many of our country's farm ills, including excessive use of water and other inputs, which has hurt soil quality apart from making farming unprofitable as a profession," says leading agricultural scientist M.S. Swaminathan, Chairman of the M.S. Swaminathan Research Foundation. "Precision is a desirable quality that has been missing."

Problem

Falling agricultural productivity triggered by poor agricultural practices and declining area under cultivation. India's food security at stake in the long run

Solution

Precision farming, which optimises the use of inputs and significantly enhances output. It also makes farming profitable. (In pic) Kiran ***Sriram Patil*** *of Chinchkheda village in Jalgaon district practises precision farming with his cotton crop*

Indeed, traditional Indian farming has at best been ad hoc. Seeds are strewn across fields in random fashion with no consideration as to how many plants will grow in a given area. Irrigation depends mostly on the monsoon, and where water is available, it is flooded into the fields. Fertilisers and crop protection chemicals are used excessively, killing the soil's productivity. "This type of imprecise farming has affected productivity," says Alok Adholeya, Director of The Energy Research Institute's (TERI) Biotechnology and Bioresources Division. He mentions a single statistic. "Farmers in the United States produce seven times more wheat per acre than those in India."

However, it is difficult for Indian farmers to adopt precision farming because of the high cost of technology and because, for the most part, farm holdings in India are highly fragmented. What Jalgaon's farmers have done over the last decade, with some help from companies such as Jain Irrigation Systems, is adapt precision farming practices without depending on satellite imagery and the like. Jugaad, if you will. "The Indianised form of precision farming basically tackles input issues," says Adholeya.

For instance, Vasantvishwanath Mahajan, a farmer from Tandalwadi village in Jalgaon district, makes it a point to ascertain how much fertiliser the soil will need before planting his banana crop. "We must know the quan-

NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

Power saving: 50%

tum of nutrients the soil has. The amount of fertiliser I use will depend on the test results. I only replace nutrients used up by the previous crop," he says.

In Chinchkheda village, 25 km from Jalgaon town, Kiran Sriram Patil takes great care while planting BT cotton seeds over his 16-acre farm. "We need to know how much to plant in an area to get the best yield. For BT cotton it is 4,000 plants per acre. Spacing between plants is also important," he says.

Precision makes the difference. "Each crop has a different geometry. You plant less, the yield is less. You plant more, the yield still falls due to crowding," says Anil Dhake, Vice President, Agri Research and Development, Jain Irrigation Systems.

Raju Ramdas Patil, a native of Neri village near Jalgaon, spends a lot of time assessing the threat to his crop from pests. "Earlier I would spray pesticide without taking the kind of pests into consideration. It was a waste," he says. "Now I look at the leaves and stem for symptoms and spray pesticide depending on the extent of the attack. I have saved money and my farming has become eco-friendly." The money saved, along with his added income has enabled him to build a large farmhouse and fulfil his long-cherished dream of owning a house in Pune.

Grade I quality crop produced: 90%

In India it is the soil rather than the crop that is irrigated. As a result, 70 per cent of the water is wasted, says TERI's Adholeya. Precision farming, however, relies on drip irrigation. "With drips, we just wet the soil near the roots. How much water we use is determined by the climate, soil type, crop type and age," says Mahajan. The drip system is also used to "fertigate" the crop – disseminate soluble fertiliser – and the extent of fertiliser used depends on the soil's need.

Increased Output

When he did things the traditional way, Sriram Patil harvested eight quintals of cotton per acre. Today, thanks to precision farming, his output has risen to 35 quintals an acre. Patil has built a 1,500 sq. ft. house, purchased a tractor, and leased 25 acres of farmland. Mahajan's banana yield has more than doubled, and so has his income. He has bought 30 acres of land, built a three-storeyed house, and indulged in a four-wheel-drive jeep. The story is the same across many parts of Jalgaon district.

Hundreds of miles away in Tamil Nadu's Dharmapuri and Krishnagiri districts, precision farming over 1.75 lakh acres has delivered significant improvements in yield and income (see *Profitable Farming*). Initially, the concept was introduced to the region through a Tamil Nadu Agricultural University project (TNAU). After a detailed study of the TNAU project, the

Profitable Farming

The results of precision farming in Tamil Nadu's Dharmapuri and Krishnagiri districts. Input costs rose, but so did yields and income

	INPUT COST INCREASE	YIELD INCREASE	INCOME INCREASE
Tomato	63	200	600
Chilli	48	59	122
Brinjal	64	150	319
Watermelon	44	50	116
Sugarcane	32	67	100

Figures show the percentage increase precision farming delivered over conventional farming during the 2004-06 period

Net income calculated at the lowest market price

Source: Tamil Nadu Agriculture University's Precision Farming Project

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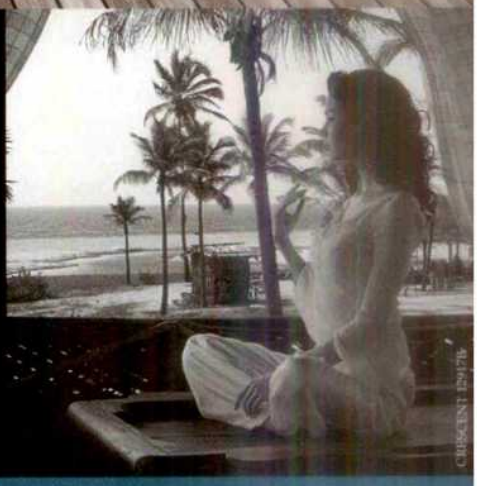

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Wonder Fungus

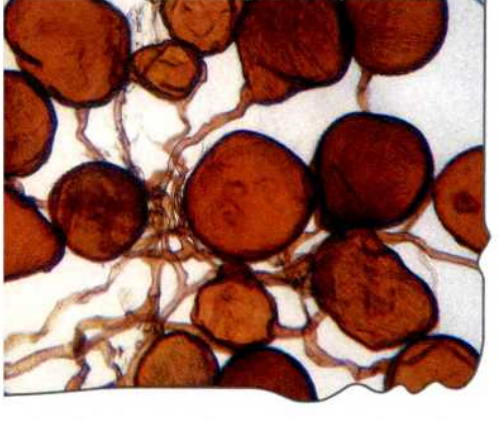
It is about as thick as a strand of human hair. But its presence in the soil increases crop yield by up to 25 per cent. It also re-energises dead soil. It helps plants assimilate water, minerals and other nutrients. Mycorrhiza, as it is called, is a fungus which once occurred naturally in Indian soil, but the rampant use of chemical fertilisers has almost wiped it out.

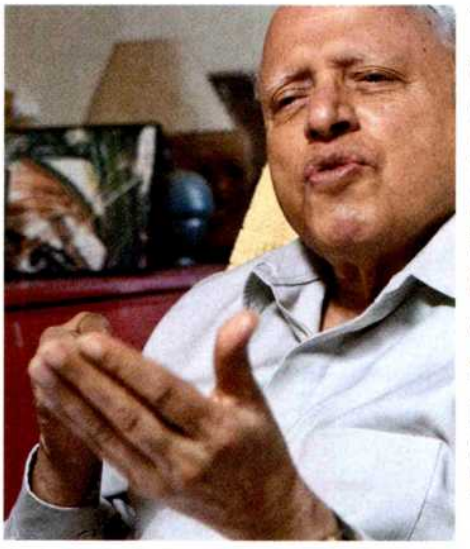
In the last decade, however, scientists at The Energy and Resources Institute (TERI), Delhi, after years of research, have succeeded in cultivating Mycorrhiza. Their process has since been commercialised and six Indian companies now produce and market the fungus. It can be used to stimulate the growth of a variety of crops such as wheat, potato, onions and garlic. Its use is already making a difference. In Krishna district of Andhra Pradesh, for example, farmers in a 30,000 acre area – supplied Mycorrhiza by KCP Sugar and Industries, one of the companies licensed to market it – have registered a two tonne per hectare increase in yield, while their use of chemical fertilisers has fallen by 25 per cent.

With agricultural productivity in India still comparatively low, Mycorrhiza can be of immense help to farmers in raising output. The country also has 55 million hectares of fallow land and wasteland which can be reclaimed with its help. Mycorrhiza has even been adopted overseas – it is one of the first bio-system technologies that went to the United States from India. Indeed farmers in the US and Europe have been a lot quicker than those in India in using it on their farms.

N. MADHAVAN

Mycorrhiza: Helping increase crop yield





H.K. RAJASHEKAR

"Precision is a desirable quality. Precision farming is a way to achieve an evergreen revolution"

M.S. Swaminathan
Chairman, M.S. Swaminathan Research Foundation

London School of Economics termed it India's second green revolution.

The new farming method also addresses another challenge, the diminishing presence of youngsters in the field. The National Policy for Farmers, placed in Parliament in November 2007, says "making farming intellectually stimulating and economically rewarding" is a priority. "A National Sample Survey done a few years ago indicated that 45 per cent of the farmers want to quit agriculture as the next generation is disinterested. Precision farming can help to change this," says Swaminathan. Indeed, it is already helping. For instance, Vaibhav Patil, a 26-year-old business administration graduate from Nimbol, has taken to farming. "I earn more than my friends, who work in IT companies. This form of agriculture is quite challenging and satisfying."

Given its benefits, precision farming should have spread like wildfire across the country. But it still has a long way to go. Rough estimates suggest that

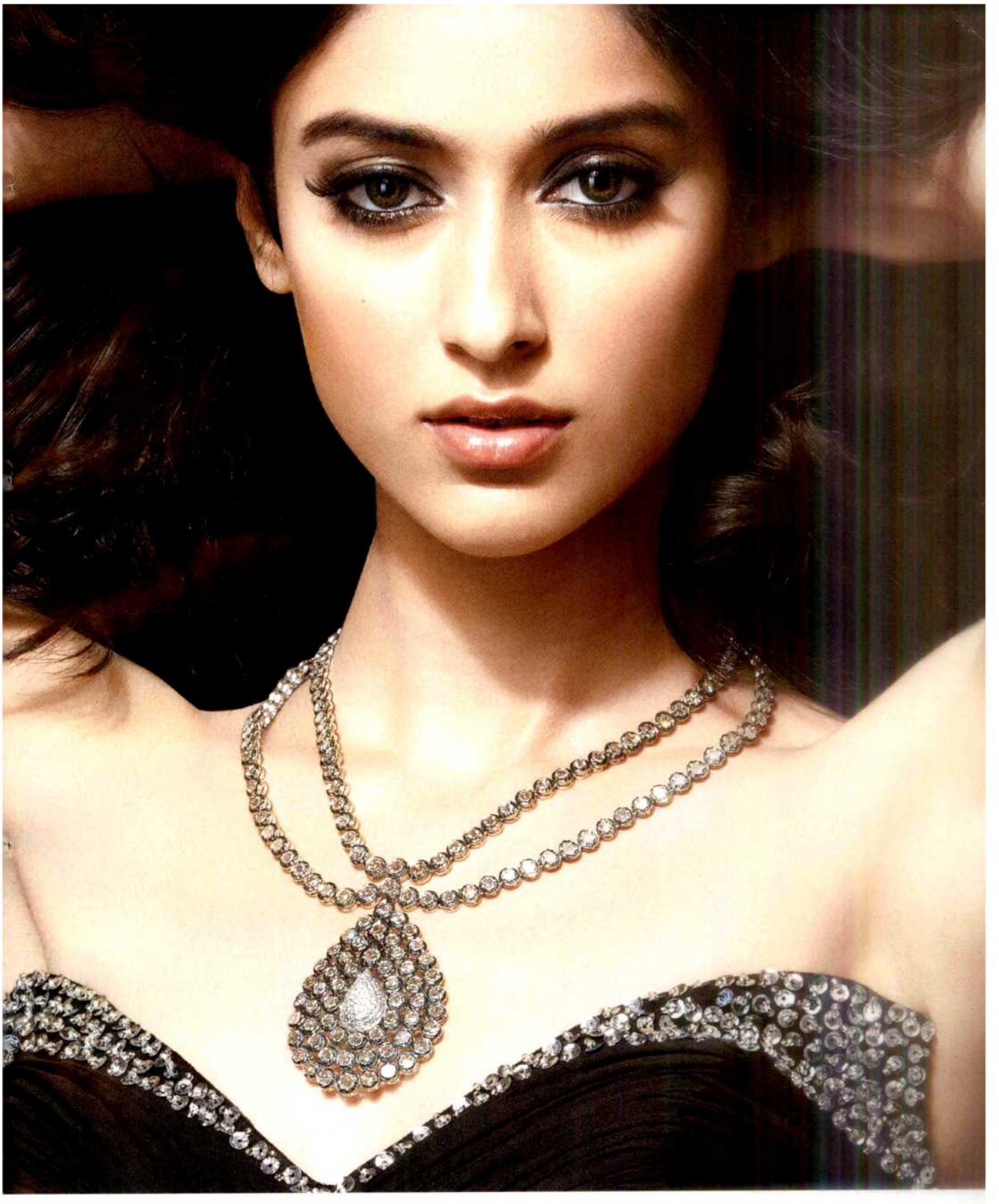
Weight gained by fruit & vegetables: 25%

only 2.5 million of India's 120 million farmers practice it. The need is all the greater given the pressure the farming sector will face in coming years. It is estimated that India will need to produce 480 million tonnes of foodgrains by 2050. That is double the 241 million tonnes produced in 2010/11.

A more enabling environment could help, say experts. "Incentives to tackle initial capital costs and flexibility in the banking system to provide the higher working capital precision farming needs is critical," says TERI's Adholeya. The government also needs to create an enabling environment that will trigger development and adoption of technology, he adds. "Technology can help take precision farming to the next level."

Swaminathan, acknowledged as the father of India's Green Revolution, puts it best: "Precision farming is a way to achieve an evergreen revolution."

Health Care P78



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Baby Formula

With their scientific method for home-based medical care, Abhay and Rani Bang have helped a backward area beat the national average for infant mortality. By **ANUSHA SUBRAMANIAN**

Maya Ednutalwar, 43, takes only a few minutes to get her gear organised: soap, a few strips of tablets, a thermometer, a scale, a baby-sized 'warm bag' to treat hypothermia, health education pamphlets, treatment forms, and medical records. She walks briskly out of her house and into the narrow lanes of Rajgatta village. She is headed for Jepra village on her daily rounds.

Her first visit is to the home of a young mother and her 15-day-old infant in Jepra. She examines the mother and baby and confirms that both are well. Ednutalwar is an *aarogya doot* (health messenger). Community health workers like her keep a register where they record pregnancies, births and other health data. "Right now, there are about 15 cases in my register," says Ednutalwar. "I visit some babies every third day, as they are still in their first few weeks. Others I see once a week or once a fortnight."

She works in Gadchiroli district in eastern Maharashtra, an economically backward region riddled with Naxal violence, where there are no public health care services. But her manner is confident and assuring, like that of any health-care professional. She works with the Society for Education, Action and Research in Community Health (SEARCH), a non-profit organisation founded by doctors Abhay and Rani Bang. For 26 years, SEARCH has shown that ordinary villagers and illiterate midwives can be trained to care for newborns where there is no doctor.

Rani has an MD in gynaecology, and her husband Abhay has one in medicine. Both also have masters degrees in public health from Johns Hopkins University in the United States. The couple returned to India in the mid-1980s to address the health problems of the rural poor, and founded SEARCH at Shodhgram (research village) in Gadchiroli, a three-hour drive from Nagpur city.

Problem

At 53 deaths per 1,000 live births, India's child mortality rate remains alarmingly high

Solution

Home-based neonatal care in which a trained community health worker, like ***Maya Ednutalwar*** *(in pic), regularly visits homes of newborns, provides treatment if they are ill and ensures they stay in good health*

Abhay explains the principle of 'barefoot doctor', adopted by the Chinese government in 1965: making health care available within walking distance for a mother who is carrying a sick baby. For the Bangs, that meant care for newborns would have to be provided in their homes.

The Bangs' innovation in home-based care of newborns does not depend on doctors, nurses, hospitals or costly equipment. It empowers women to use simple medical knowledge and skills to save their newborns. Over the years, SEARCH has trained Ednutalwar and about 40 other women from 39 villages in Gadchiroli in home-based newborn care.

Training a community health worker costs SEARCH approximately ₹15,000, including ₹1,500 for equipment. The worker is trained in first aid methods such as resuscitation of newborns at risk, preparing and monitoring feeding schedules, and assessing the infant's health by examining the soles

NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

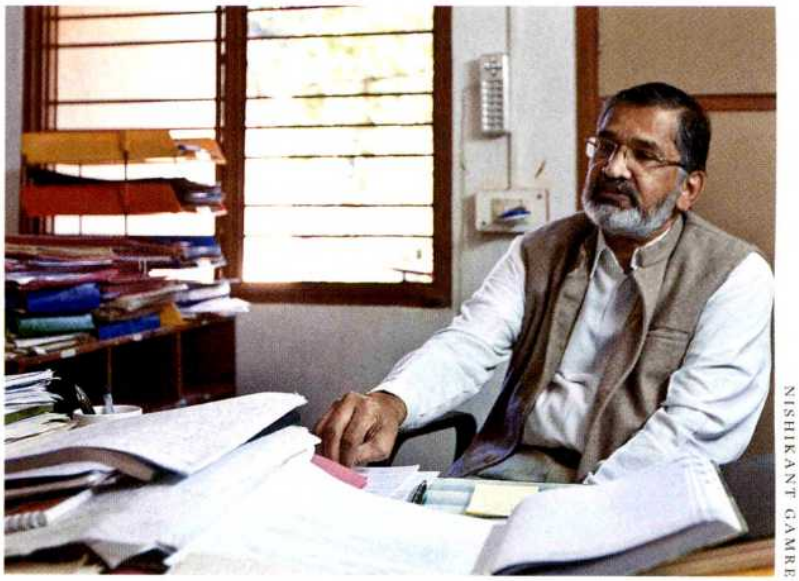
Making a Difference

SEARCH's home-based newborn care in 39 villages of Maharashtra's Gadchiroli district has had great impact

- Between 1995 and 1998, newborn mortality fell by 62 per cent in Gadchiroli
- By 2003, the infant mortality rate fell from 121 to 30 per 1,000 live births in Gadchiroli
- The national infant mortality rate is 53 per 1,000 live births
- The health ministry has made home-based newborn care national policy. It has been implemented in 21 states
- WHO and UNICEF have endorsed Rani and Abhay Bang's approach. It has been implemented in other Asian/African countries

Community-based Approach

- Live close to the community and understand its health problems
- Provide appropriate health care for immediate needs
- Conduct studies with the involvement of local people
- Develop low-cost solutions appropriate for the rural setting to empower locals to solve their health problems
- Design and conduct field trials with scientific rigour
- Publish results of trials, demonstrate the efficacy of the model to policy makers



NISHIKANT GAMRE

Abhay Bang's 3-part Mission

1. Providing health care to the local population
2. Giving them training in health care
3. Conducting research to shape policies

of the feet for warmth and colour, working under supervision for a year. This method of newborn care is supported wholly by SEARCH in Gadchiroli.

Community health workers, who earn approximately ₹800 to ₹1,000 a month, have brought about a revolution in thought and practices relating to neonatal survival. However, the model is not intended as a business venture. The health workers serve their community in their spare time, as semi-professionals.

This model was developed after a meticulous research trial of home-based newborn care in 39 villages showed that within three years (1995-98) newborn mortality reduced by 62 per cent. By 2003, the infant mortality rate had dropped from 121 to 30 deaths per thousand live births. This figure was the national target to be achieved by 2012, so the pilot project put these villages far ahead of the rest of the country. Indeed, India has yet to bring the infant mortality rate down to 30. In its 2010 annual report, the Ministry of Health & Family Welfare stated that the infant mortality rate was 53.

SEARCH started with the aim of tackling two critical issues. One was to address specific health issues such as child mortality, women's health, and addiction, which are nationwide concerns. The second was that people in almost every backward region are deprived of basic healthcare facilities. "Our innovation is a model which we call *aarogya swaraaj* or 'health freedom'," says Abhay. "People are empowered to take care of their own health." SEARCH's home-based newborn care is an example of such empowerment.

He explains the economics of saving a child. In health economy parlance, he says, health care is evaluated in terms of the cost per life-year saved. For instance, averting the death of one newborn contributes 23 adult productive

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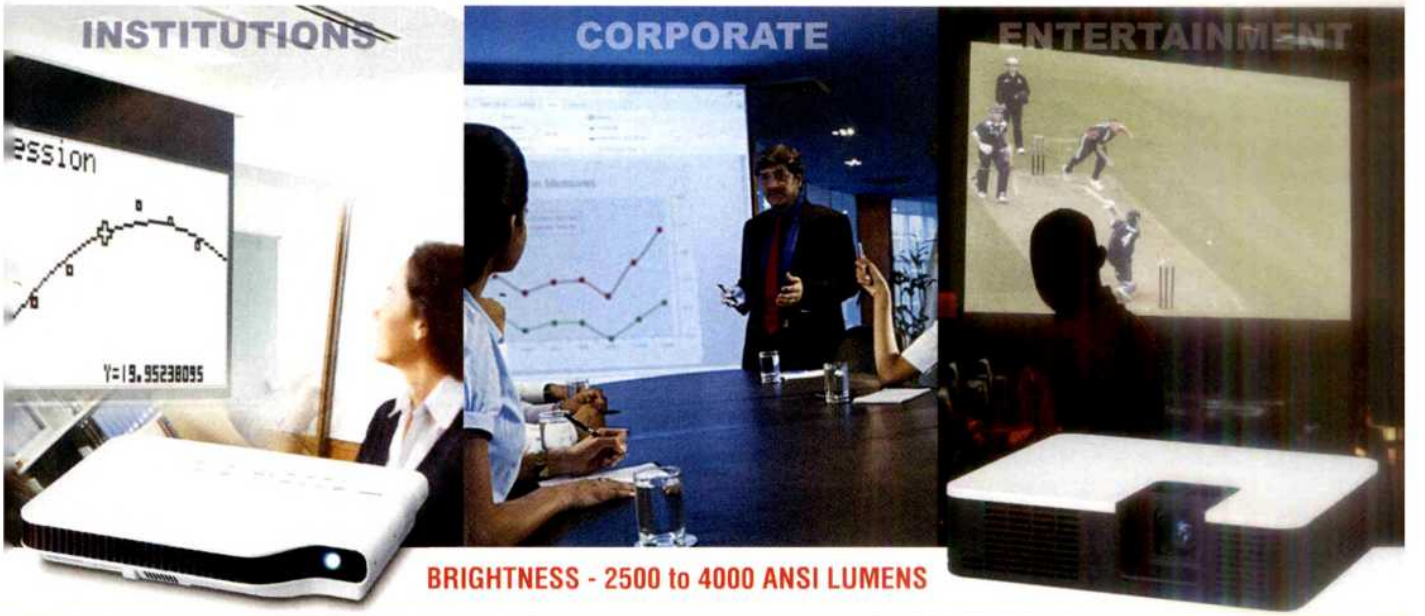

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Affordable Care

Vaatsalya Healthcare's hospital network offers affordable health services. The cost of having a baby at Vaatsalya, for instance, is ₹8,000, compared with ₹55,000 in a corporate hospital. It has 1,500 employees, 1,400 beds in 17 locations in Karnataka and Andhra Pradesh and treats around 500,000 patients a year.

Vaatsalya keeps prices low by emphasising quality, and eschewing frills. Launched in 2005, it calls itself the country's first hospital network focused on Tier II and Tier III towns.

Today, there are big names in the affordable health care segment, too: Apollo has its 'Apollo Reach' hospitals, Fortis runs 'Fortis General'. However, Vaatsalya's co-founder and CEO Dr Ashwin Naik says: "There are a few things we have done differently." One of these is a focus on four or five services, as opposed to multi-speciality or single speciality. Another is to reduce capital expenditure by leasing premises, instead of owning them. And, of course, Vaatsalya is focused on small towns.

Sure, later entrants may use similar strategies. But Naik is unperturbed. He says Vaatsalya's first mover advantage lets it focus on driving down costs further, and the opportunity is large enough for three to four players. More than competition for customers, he fears human resource constraints. "This year, we are launching the Vaatsalya Training Academy, which will train about 300 students for entry-level jobs in hospitals," he says.

Vaatsalya earned ₹24 crore in its first full year, and has grown at 35 to 40 per cent a year.

E. KUMAR SHARMA

Dr Chandrashekar Patil with patients at Vaatsalya hospital in Hubli, Karnataka

DEEPAK G. PAWAR

SEARCH's income

Where it comes from

- 40% Donations and awards
- 30% Research grants
- 20% Training activities
- 10% Hospital charges

life-years to the national economy. So the cost of adding a productive life-year to the national economy through home-based newborn care worked out to $7 during the period from 2001 to 2003. "When we drew comparisons with other national child survival methods across the world, home-based care turned out to be the most cost-effective," says Abhay.

Home-based newborn child care has become national policy in India. Implemented in 21 states, it aims to train 800,000 ASHAs (accredited social health activists) across the country, through the National Health Systems Resource Centre. The centre is part of the health and family welfare ministry. ASHA workers will be paid ₹250 for every infant they tend to.

In 2009, the World Health Organization and UNICEF endorsed the Bangs' approach for use in developing countries. It has been implemented in

₹1,000: Health worker's monthly payment

Bangladesh, Bolivia, Ethiopia, Malawi, Nepal, Pakistan, Uganda and Zambia.

The model is based on science and evidence, which makes it dependable. "We have replicated it within the country and outside as well," says Abhay. "This repeated testing and ensuring that it works everywhere is the greatest assurance of its scalability." Since it became national policy, it is the government that has been implementing it.

Despite their method's impressive statistical results, the Bangs have been criticised for letting uneducated women administer complex drugs. Abhay, however, says that he is unperturbed by such criticism. He adds that SEARCH could overcome education barriers because of strong evidence and field trials that were published and honoured as a Vintage Paper in *The*

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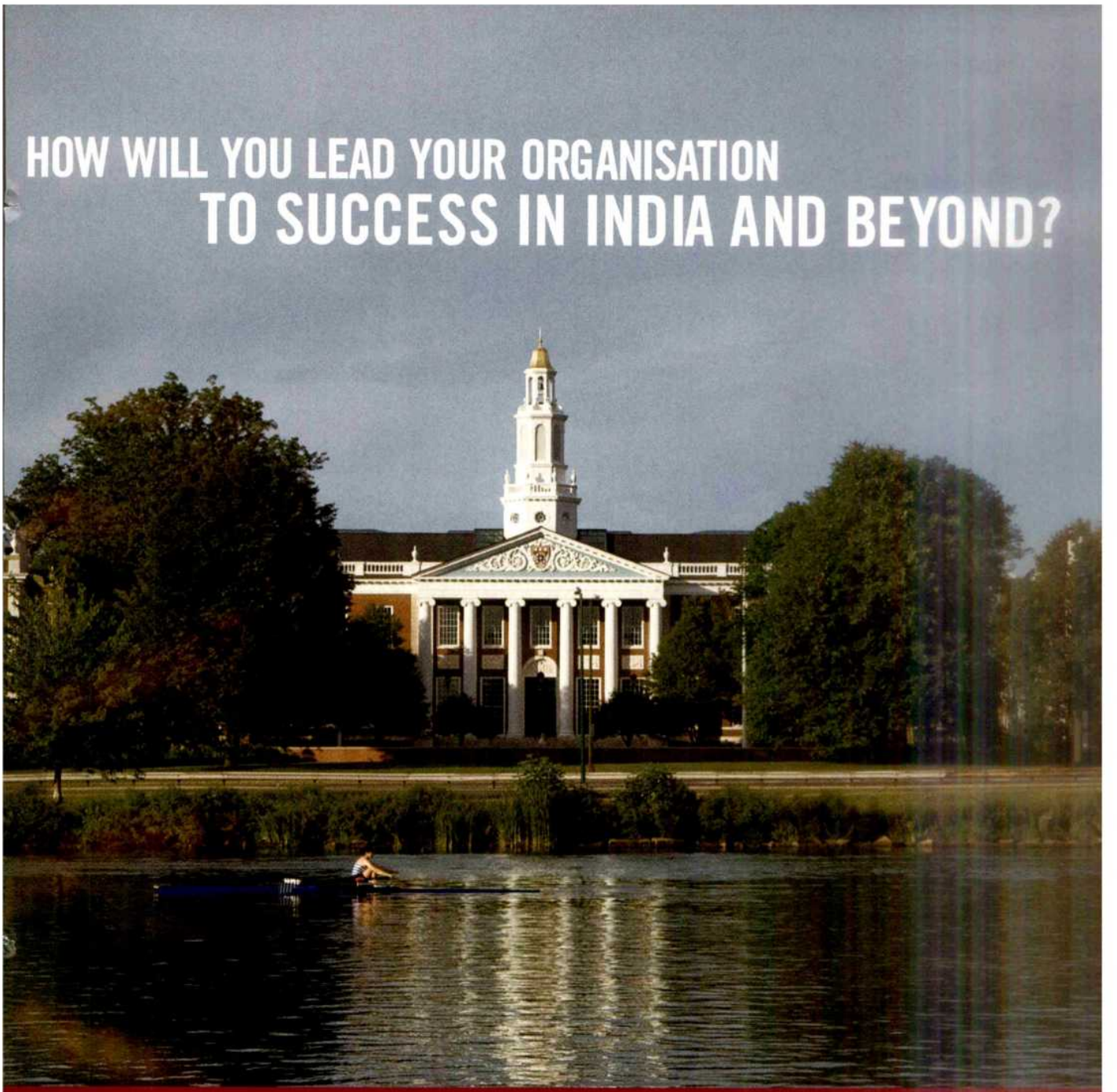

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Long-distance Care

It is a harsh life for residents of the relatively inaccessible, hilly regions of the Araku Valley in Andhra Pradesh. On March 5 this year, for example, a 24-year-old woman of the Konda Dora tribe lay bleeding profusely after delivering a healthy baby at her home, located in a small, inaccessible hamlet in the valley, 23 kms from the nearest medical facility. She would almost certainly have died, but she is alive and well. How did that happen?

She survived because she got medical attention, thanks to the Health Management and Research Institute (HMRI) which had a trained health worker in the hamlet, who could attend on her and get people to quickly move her to the nearest community health centre. The brainchild of Satyam Computer Services founder B. Ramalinga Raju, HMRI was started in 2007, but was left rudderless after the Satyam scam. It is now run by the Piramal Group as part of its corporate social responsibility efforts.

Earlier, apart from the telemedicine centre, HMRI also ran a 24x7 medical advice helpline and mobile health units. But these, which began on a public-private-partnership model with the Andhra Pradesh government, have since been taken over by the latter. Tele-medicine is still with the foundation

"Telemedicine for tribals in remote regions was launched in October 2010, with funding from the MacArthur Foundation for one year," says Balaji Utla, CEO of HMRI. "Today, it is funded by the Piramals." HMRI also has helplines in Assam, Maharashtra and Rajasthan, which are public-private partnership. In Assam and Rajasthan, it also runs mobile clinics.

E. KUMAR SHARMA

HMRI paramedics (on motorcycles) provide high-quality antenatal care in the Araku Valley region

8 countries use the SEARCH model

Lancet, one of the oldest and most respected journals of medical research. Vintage Papers are what *The Lancet* considers milestones in its 189-year history.

As the SEARCH model is scaled up, it is difficult to predict its success rate across the country. Much will depend on effective administration. Unlike in Gadchiroli, health workers across the country are selected by the government and not by the Bangs. The technical and moral support that SEARCH gives to community workers who are handling complications will have to be replicated.

"There will be uncertainties in such a large scheme, but we will remain focused on how to make things work because the number of lives at stake is in millions," says Abhay.

Financially, SEARCH has managed to sustain itself over the years by not relying on any one source for funding. Ten per cent of its funds come in through its affordable hospital for local tribals. Another 20 per cent comes from training activities, and 30 per cent from research. Donations and awards account for the remaining 40 per cent.

SEARCH gets doctors and interns from all over the world, who come for research and training in community health. Only nine doctors are actually employed by it. Besides working at the hospital, they are involved in regular training and research activities. Five of the employed doctors received higher education in the United States. Instead of five-star hospitals in big cities, they have chosen to live and work in Gadchiroli, earning between ₹12,000 and ₹25,000 a month.

₹15,000: Cost of training a health worker

"Most of those who are employed here initially came because of a personal inspiration, and then got so involved that they decided to stay on," says Dr Anand Bang, son of Abhay and Rani.

Psychologist Venkatesh Aiyyar quit his job of 10 years at the Institute for Psychological Health, in Thane near Mumbai, to work here. He says: "What's interesting here is that you are constantly in touch with the people you are treating." He adds that this is a major reason for his motivation to work at SEARCH. Money is certainly not a motivator for him and his colleagues: SEARCH pays one-tenth of what they could earn in a city hospital.

Eight million children die around the world every year before their fifth birthday. In such a world, perhaps it is the practical compassion of people such as the Bangs and their team that offers the best hope for saving lives. ◆

Photo Feature P87

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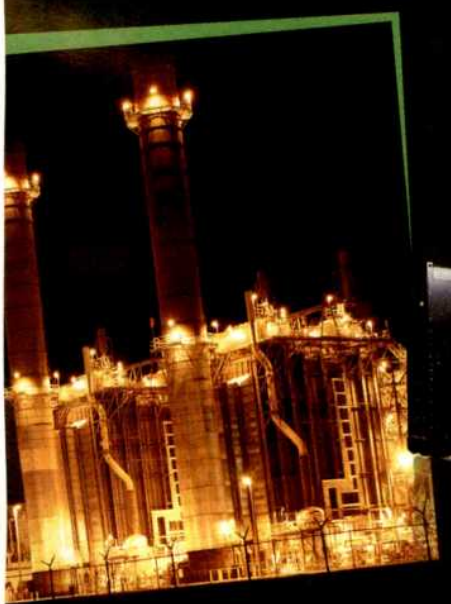

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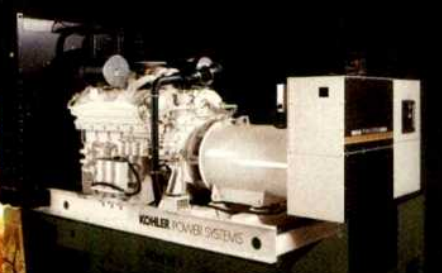

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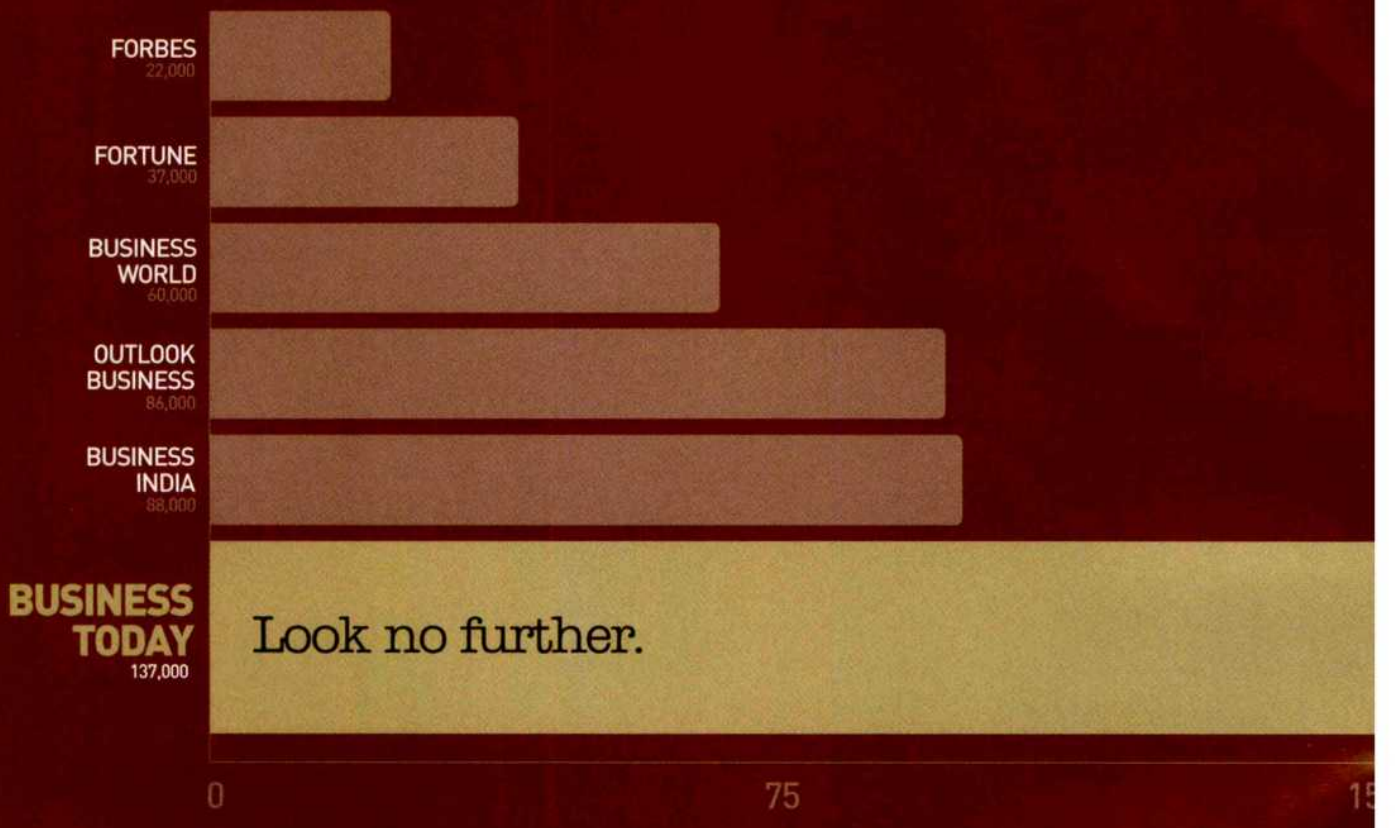

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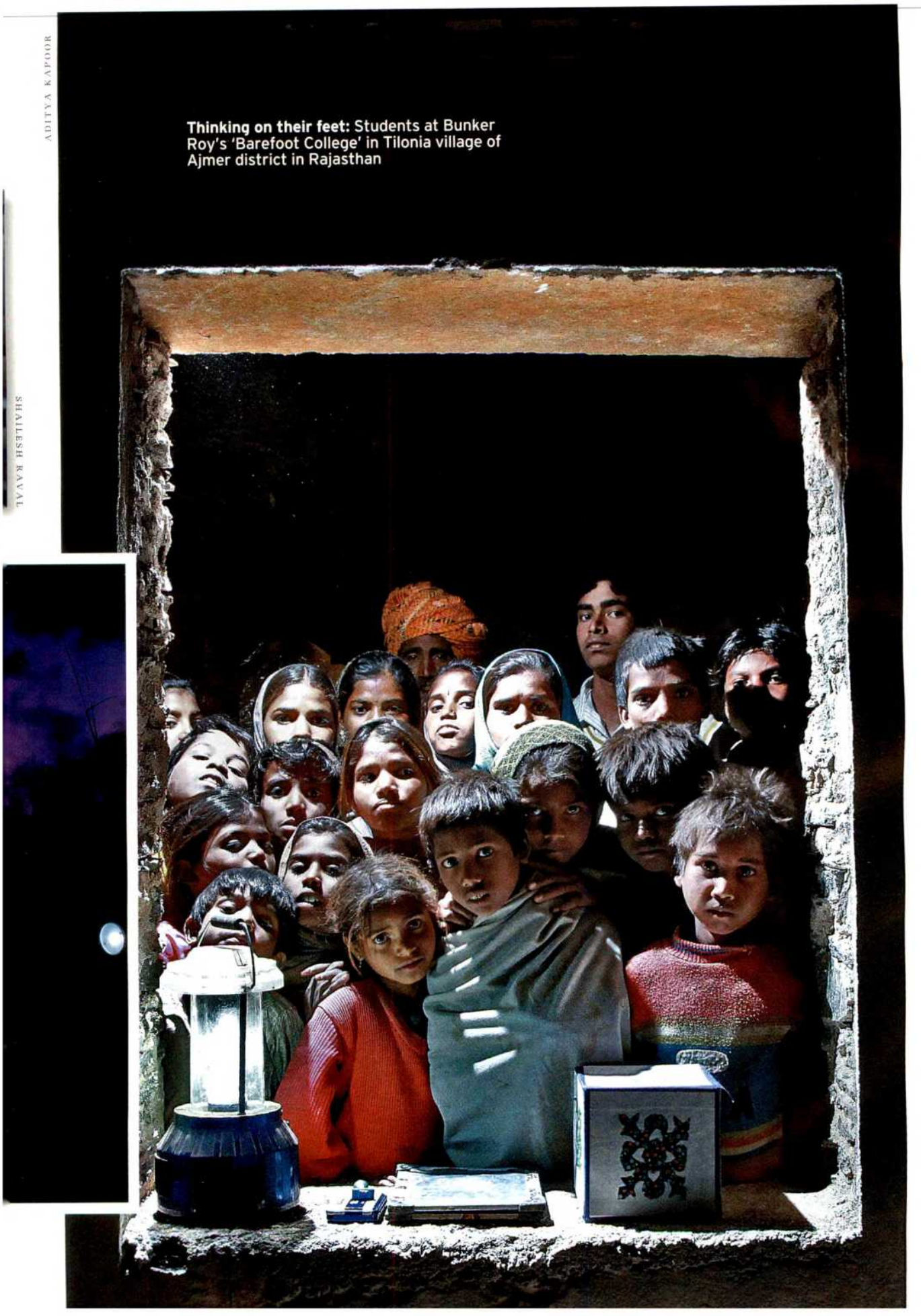
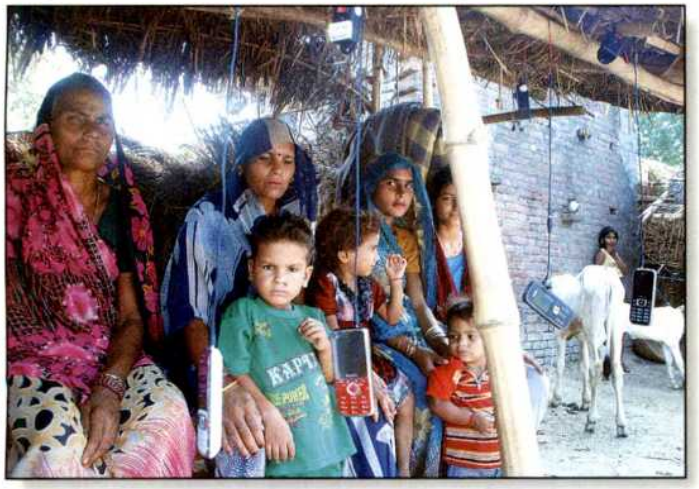


Thinking on their feet: Students at Bunker Roy's 'Barefoot College' in Tilonia village of Ajmer district in Rajasthan

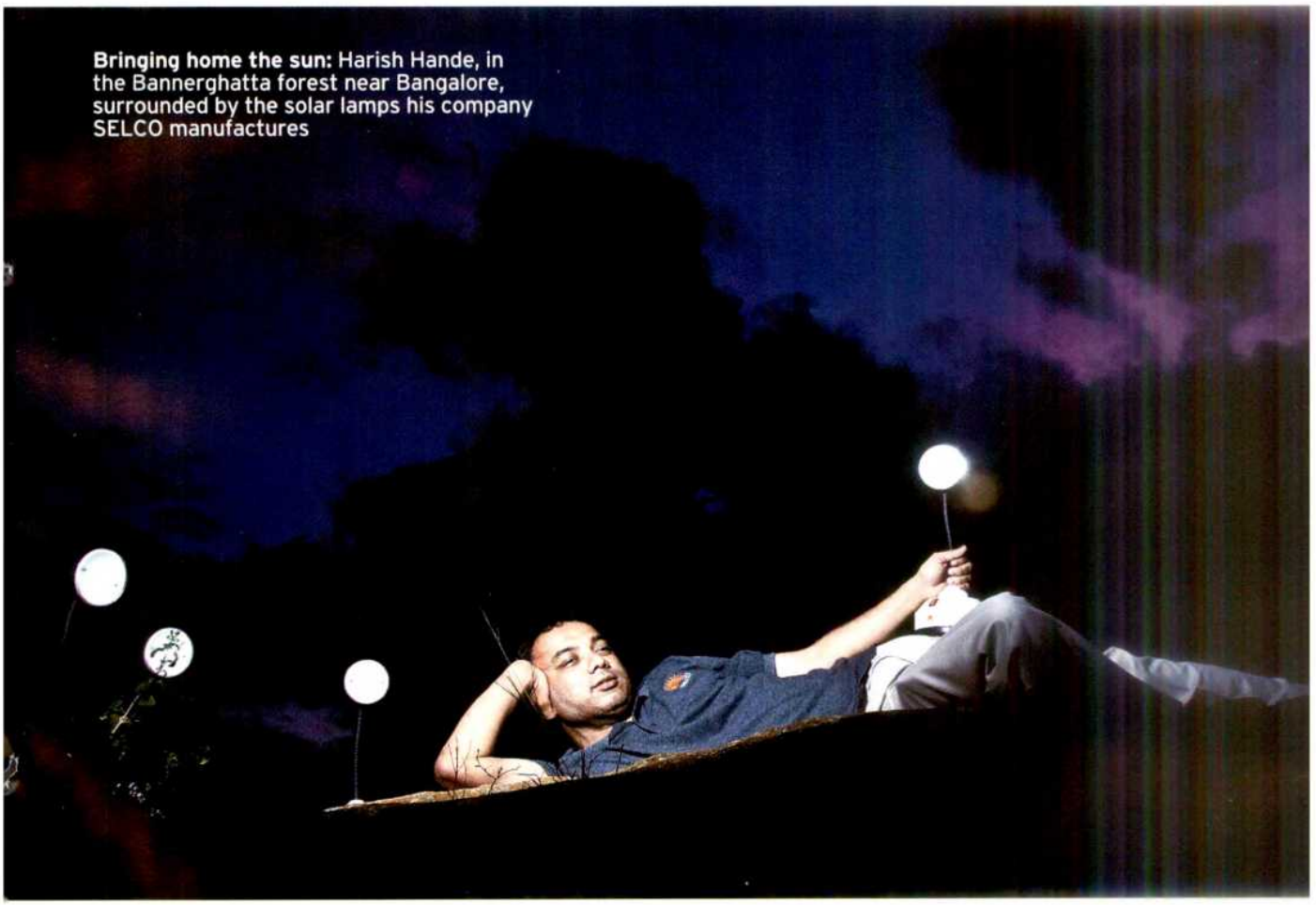
Connecting the hinterland: The solar microgrid set up by Mera Gao Power enables residents of Thigra village in Sitapur district of Uttar Pradesh to recharge their mobiles



SANJAY SONKAR

Pay to drink: Residents of the Old Vadaj slum in Ahmedabad queue up with their 'water ATM' cards to draw Sarvajal's safe drinking water

Bringing home the sun: Harish Hande, in the Bannerghatta forest near Bangalore, surrounded by the solar lamps his company SELCO manufactures



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Doctor at the doorstep: An HMRI mobile health unit, which provides health care in remote locations lacking hospitals and clinics

Reasonable charge: Dr Chandrashekar Patil, part of Vaatsalya, which provides affordable health care, examining a patient in Hubli, Karnataka

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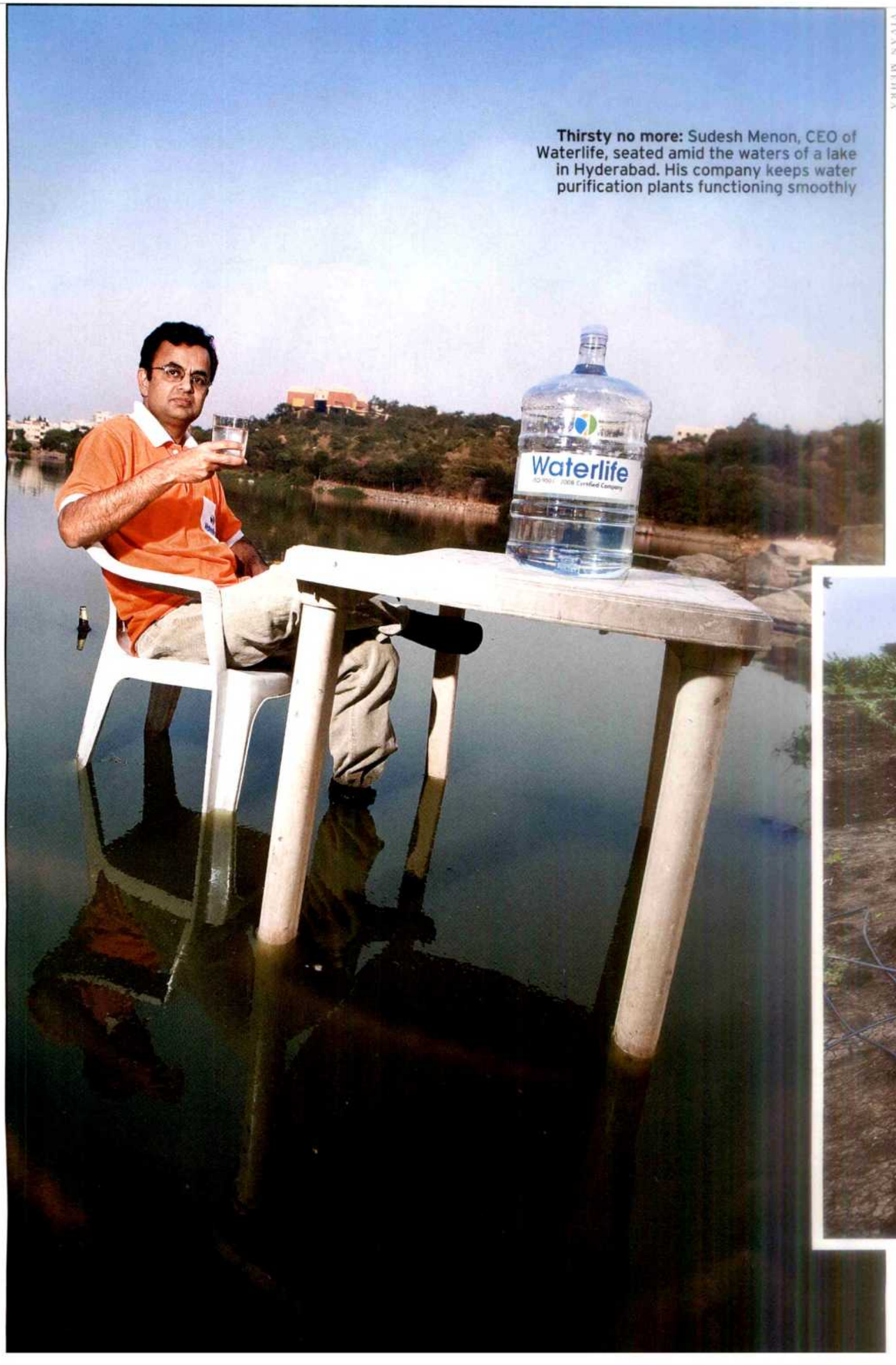
Accurate work: Women in Chinchkeda village of Jalgaon district, Maharashtra, mulching the cotton crop, a procedure required in precision farming

NISHIKANT GAMRE



Thirsty no more: Sudesh Menon, CEO of Waterlife, seated amid the waters of a lake in Hyderabad. His company keeps water purification plants functioning smoothly

VIVAN MEHRA

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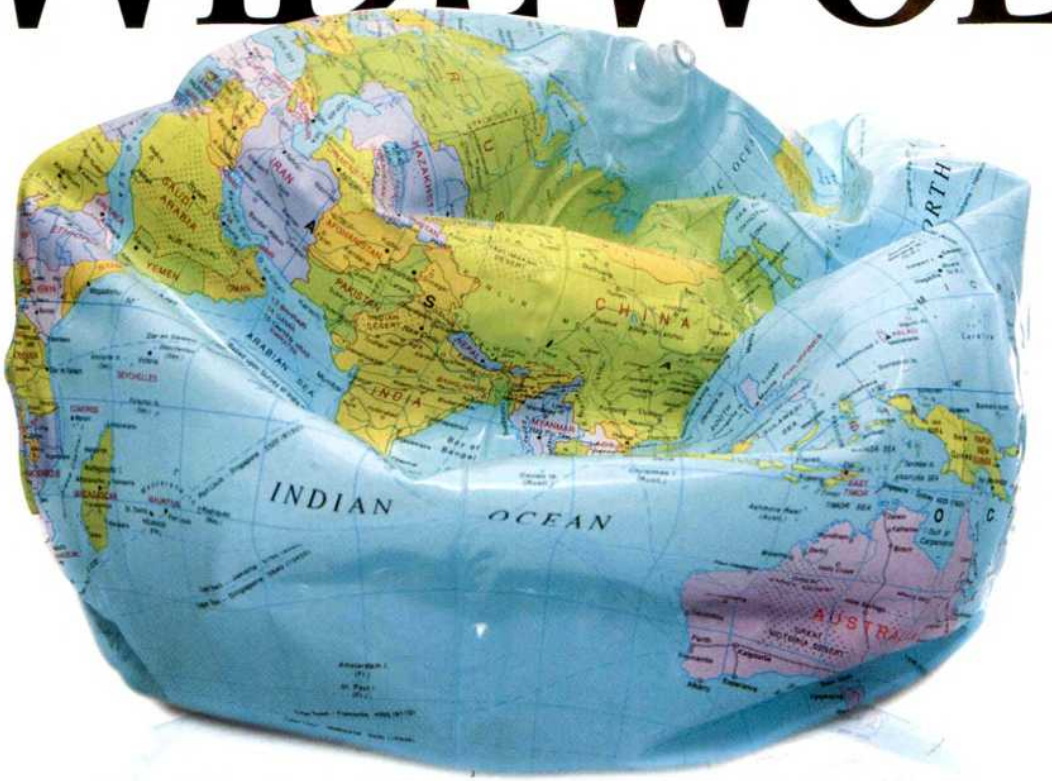


SHEKHAR GHOSH

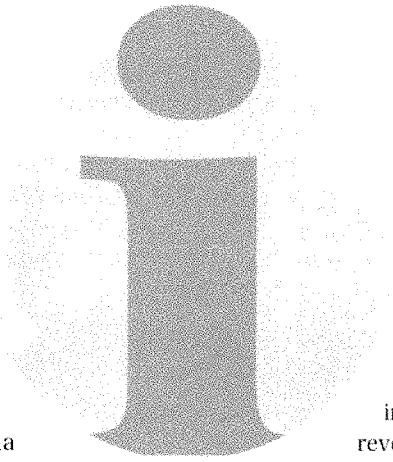
Could the overseas problems of ONGC Videsh and other Indian oil exploration companies have been avoided?

By ANILESH S. MAHAJAN

UPS AND DOWNS

8%
Decline in oil production from India's international assets in 2011/12. Gas output fell 5.7%

$2.1bn
What OVL paid for Imperial Energy. An inquiry into the deal is under way



India's overseas oil and gas exploration has been floundering for a while. The latest in the litany of troubles involves the biggest player, ONGC Videsh Ltd (OVL), which has 30 assets in 15 countries. OVL is mired in a dispute over a block in the South China Sea where China claims territorial rights over blocks originally allocated by Vietnamese oil company PetroVietnam. In May OVL withdrew from the block, saying it was unviable. Then China put the block up for bidding, and now, under diplomatic pressure from government, OVL has done an about turn, saying it will hold on to the block for two years, thereby creating a stalemate.

Perhaps the sole ray of hope among the country's major oil companies is Bharat PetroResources Limited (BPRL), the exploration arm of Bharat Petroleum Corporation Ltd (BPCL). In June, BPRL announced it had found gas in Mozambique's Rovuma basin, in which it has a 10 per cent stake – a discovery that nearly doubled the block's recoverable gas potential to 60 trillion cubic feet. While other companies are stymied by political and diplomatic conflict, BPRL has good prospects in most of the 16 international blocks where it has invested since it was allowed to do so in 2006. Managing Director D. Rajkumar says: "We too had options to get into countries like Libya, Sudan and other troubled waters, but we stayed away."

"It was a combination of in-depth thinking and luck," says R.K. Singh, Chairman of BPCL and BPRL. "Now, we are not buying assets but will reap what we have sown in the last six years." The only asset about which BPRL is relatively less hopeful is in the United Kingdom, he adds.

But BPRL is an exception, while OVL's South China Sea mess is the tip of the iceberg. At least 14 other assets belonging to OVL and other public sector units are affected by turmoil in Egypt, Libya, Sudan and Syria, and the tensions between Iran and the United States. Although the depreciation of the rupee against the dollar and the jump in international crude oil prices helped OVL's revenues, profit after tax in 2011/12 was only 1.1 per cent higher than in the previous year. Its oil production fell eight per cent, and gas output, 5.7 per cent. In 2010/11, oil production had increased 0.6 per cent over the preceding year, and gas production, 13.98 per cent.

Ajay Arora, partner at Ernst & Young who leads the oil and gas vertical, points out that most of OVL's "trouble-prone" assets were acquired a decade ago, when no one could have foreseen how things would turn out. "At that time, things were evaluated accordingly," says Arora. E&Y was the consultant for OVL's Sudan purchases in 2003.

But it is not as if news of India's international oil and gas assets has all been good in past years. After acquiring a stake in Sakhalin-1 in Russia, OVL scoured West Asia and Africa, where it found itself pitted against China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation. Heavily armed with cash and their government's support, the Chinese companies pipped Indian ones in battles in Angola, Bangladesh, Iraq, Myanmar, Nigeria and elsewhere.

In Iran, Indian companies are caught in the crossfire between the international community and the regime in Tehran. The European Union and the US oppose Iran's nuclear programme, and companies and countries that deal with Iran could face sanctions. In the last three years, India has reduced oil imports from Iran and delayed exploration and production in the Farsi block, and Iran has

$408mn
OVL's provision for poor performance of Imperial Energy's assets

60tn
Cubic feet of recoverable gas potential in BPRL's block in Mozambique's Rovuma basin

₹6,000cr
Amount earmarked for foreign acquisitions, which Oil India is sitting on

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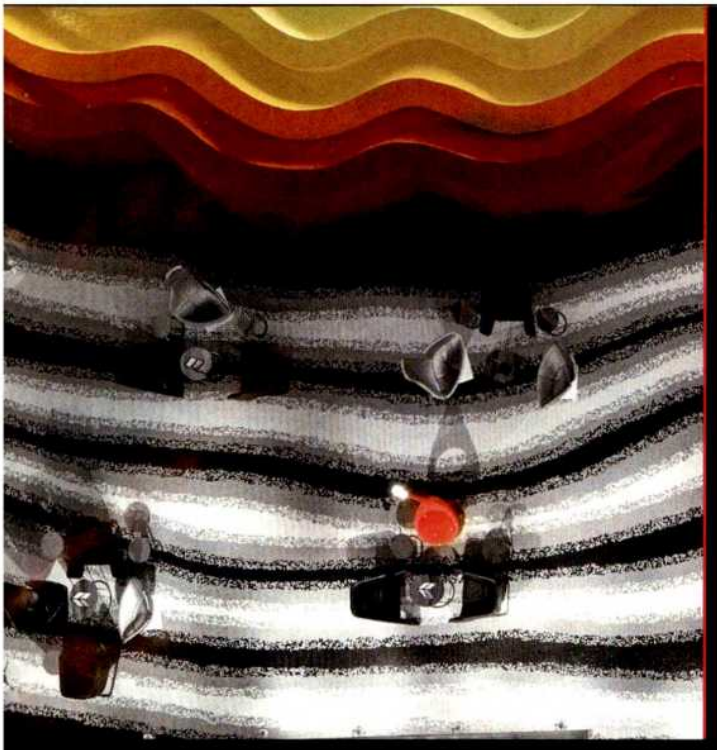

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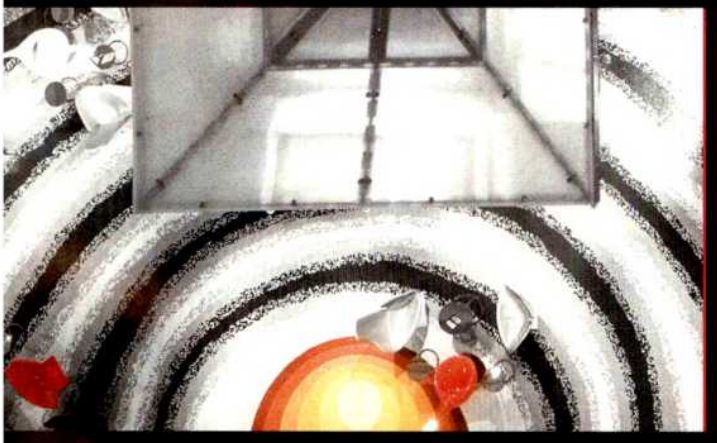

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is in touch with Tehran, but refuses to comment further.

In South Sudan, OVL's investment in the Greater Nile Oil Project, in partnership with China's CNPC, was stymied as the breakaway nation – it gained independence from Sudan in July 2011 – halted production in June 2011. Foreign ministry officials say South Sudan suspects China of helping Sudan crush its freedom movement. Last year, until production was halted, this block had yielded OVL 2.5 million metric tonnes of oil. In April, the ministry sent Additional Secretary Amarendra Khatua as special envoy to the region to help restart production. The oil ministry official says a small amount of production has resumed, and that things will improve when diplomatic ties are established. South Sudan is oil-rich, but lacks refineries.

Former petroleum minister Ram Naik points out that none of the Indian companies' problems arose overnight.

India is lobbying for tax breaks for exploration in Imperial's seven blocks in the Tomsk region. A foreign ministry official says: "The Prime Minister on his last visit discussed this issue with the Russian establishment." However, no headway has been made since.

A consortium of Oil India Limited (OIL) and IndianOil is adrift, too – it has not made a single acquisition in three years. "We have set aside ₹6,000 crore for foreign acquisitions," says OIL Chairman S.K. Srivastava. "We are in talks for two locations, and might close the deal soon."

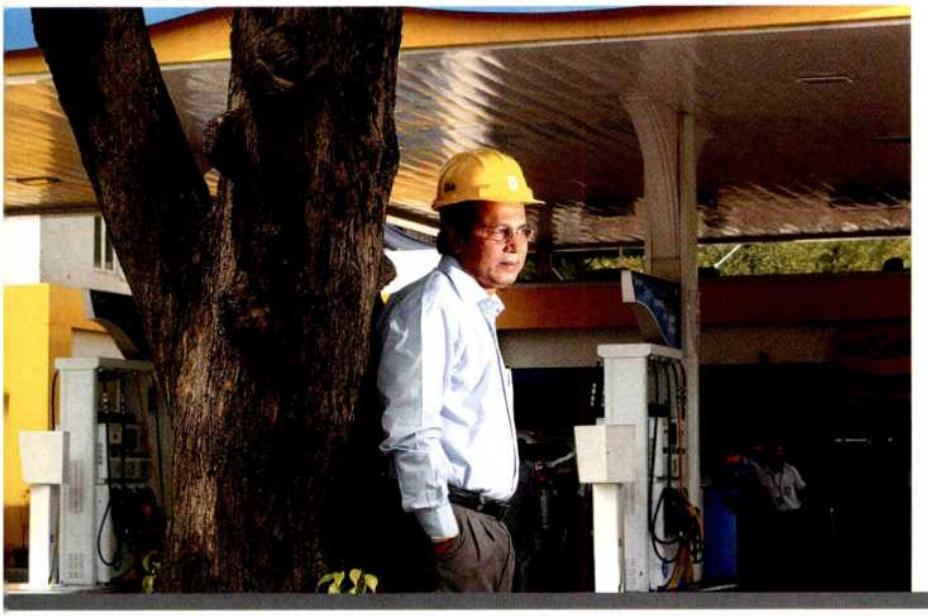
In Egypt, Libya and Syria, political violence has forced Indian companies to abort operations. "We have no option but to wait and watch developments," says an official spokesperson for the external affairs ministry.

Since 2003, Indian oil companies have invested $100 million in Libya. OVL has surrendered its three blocks there, and OIL and IndianOil have said they cannot fulfil obligations in two of their three jointly operated blocks.

After OVL invested more than half a billion dollars in Syria through ONGC Nile Ganga Corp – and got 0.8 million metric tonnes of crude out of it – the Syrian Petroleum Company, which operated the block, shut down production because of anti-government violence.

Aashish Mehra, Global Partner and Managing Director of the India and Asia-Pacific practice at Strategic Decisions Group, believes risk evaluation should be more rigorous. "OVL must partner with the right type of companies, and deal with more transparent and friendly regimes," he says. ◆

SHEKHAR GHOSH



"Now, we are not buying assets, but will reap what we sowed in the last six years."

R.K. SINGH, Chairman, BPRL

"One needs to factor in troubles in the foreign country where one has assets," he says.

In Europe, OVL has a different type of problem. According to a March 2012 Comptroller and Auditor General report based on an audit of 20 of OVL's 45 assets for the period between April 2004 and March 2010, the company paid too much to acquire Imperial Energy in Russia. The report also noted that OVL overestimated Imperial's reserves and production potential, leading to a loss of ₹1,182 crore. The Central Vigilance Commission has initiated an inquiry into the deal.

OVL had to make a $408 million provision for the next financial year for Imperial's poor show. *Business Today* made many unsuccessful attempts to contact R.S. Butola, who was managing director when the deal was struck.

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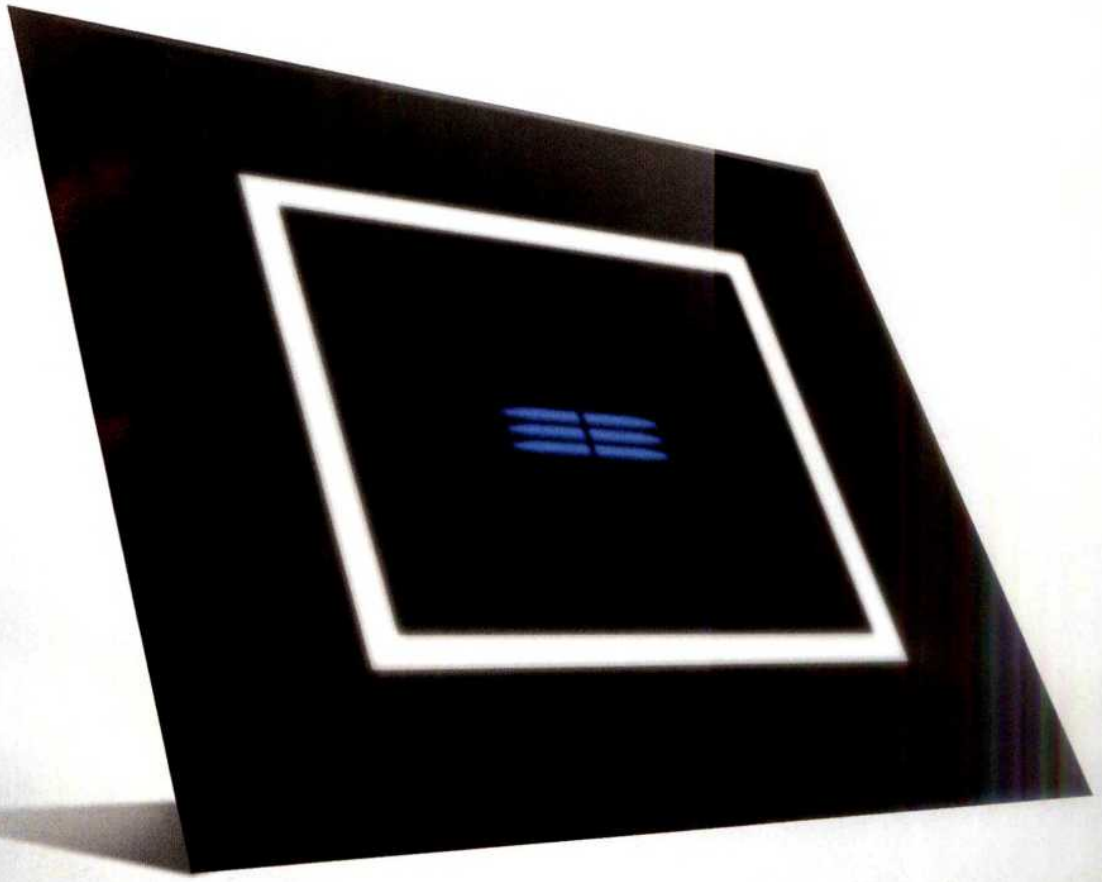

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IF YOU'VE

GOT IT, FLAUNT IT

New online fashion start-ups are promoting their own brands instead of, like their predecessors, offering discounts on others' brands. By TASLIMA KHAN

New business model: Sandeep Sharma (COO) (left) and Vivek Gaur (CEO) of Yepme

PHOTOGRAPHS BY ADITYA KAPOOR

Come midnight, for nearly two years now, Somnath Ghosh, a gynaecologist at Serampore, a small town 30 km northeast of Kolkata, switches to what he calls retail therapy. "If I like a product and it is within my reach, I go for it," says the doctor, a shopaholic on online retail websites. The latest addition to the sites Ghosh shops at is Zovi.com. A shirt he bought recently from the site was less than half the sticker price of a Benetton shirt and of comparable quality. But what he likes most about sites such as Zovi is that they ship to Serampore.

Zovi is one of India's numerous fast-sprouting online fashion stores aiming at a market – both online and brick-and-mortar outlets – that is currently a shade less than ₹2 trillion, according to an estimate by consulting firm Technopak Advisors. (A trillion equals 100,000 crore). Between its launch in July 2011 and December the same year, Zovi racked up sales of ₹5 crore and is on course to close calendar year 2012 at ₹80 crore. Founded by Satish Mani, 44, an aeronautical engineer who formerly worked with Oracle and ticketing site Cleartrip, Zovi competes with sites such as Yepme.com, SherSingh.com and Freecultr.com for custom from the likes of Dr Ghosh.

What sets apart these stores from the apparel sellers which entered the field earlier – such as Myntra.com or Fashionandyou.com – is that they provide only their own brands. The earlier ones all sought to build volumes by selling existing market brands, and offering large discounts. (See *www.businesstoday.in/online-struggle*.) "We launched our own label to differentiate ourselves in a crowded fashion market where over 20 sites sell the same Reebok sunglasses," says Vivek Gaur, Yepme's founder.

Indeed they are promoting their own

Different strokes: Three different moods of Satish Mani, Chief Technology Officer, Zovi

GREAT PROMISE

Investors are betting heavily on the recent online fashion start-ups

Start-up: **Zovi**
Investor: **Tiger Global & SAIF Partners**
15 million

Start-up: **Yepme**
Investor: **Helion Venture Partners & a California based investor**
9 million

Start-up: **Freecultr**
Investor: **Sequoia Capital** and Russian Venture firm **Ru-Net**
13 million

brands aggressively. When Yepme, for instance, launched its first line of men's wear, it did so with a fashion show in Delhi in which top models such as Dino Morea and Rahul Dev participated. Similarly, Freecultr, started last December by Sujal Shah, a former vice president at IMG Worldwide, tied up with Shah Rukh Khan-owned Kolkata Knight Riders as its official casual wear partner for the last IPL season, supplying a range of sportswear and accessories – T-shirts, denims, shoes, hats and wrist bands.

The primary market for these online fashion brands are Tier II and Tier III towns, where the top fashion labels are not easily available. Yepme, which, starting in August last year will soon provide a Hindi language option on its website. Why? "Because around 70 per cent of our shipments are going to the smaller towns," says Sandeep Sharma, its Chief Operating Officer. Around 49 per cent of Yepme's 200,000 customers so far have come back to it a second time.

While some, like Zovi, sell their branded clothes solely on their own sites, others like Yepme have their products on display at several sites other than their own. They all claim their products are as good as those sold by international brands such as Van Heusen, Benetton or Levi's, but point out that their prices are far lower in comparison. "The beauty of a private label online fashion brand is that it can offer comparable quality at a reasonable price and still make very attractive margins," says Mukul Arora, investment professional at SAIF Partners, which has invested in Zovi. Indeed Zovi makes it a point to sell its branded garments at not more than twice the production cost. It can afford to do so because it does not incur the kind of costs on renting space, employing staff and advertising heavily that the global brands do.

Manufacturing is outsourced to carefully-chosen regional garment makers, so as to keep strict tabs on quality. "We look for vendors who can give us that signature finish, but design and the fabric used is provided by our in-house team of fashion designers," says Kavindra Mishra, Co-founder and Vice President, Sales, at Zovi.

Isn't there always the danger, while ordering clothes from an online store, of them not fitting? Apparel portals have sought to address this by offering extremely liberal 'return policies': any problem and the garment is promptly replaced. A bigger challenge is retaining customers. Does having one's own brand confer an advantage? "The future looks more promising for businesses with a very clear differentiator and a customer base which keeps coming back," says Kanwaljit Singh, Senior Managing Director at venture capital firm, Helion Venture Partners. ◆

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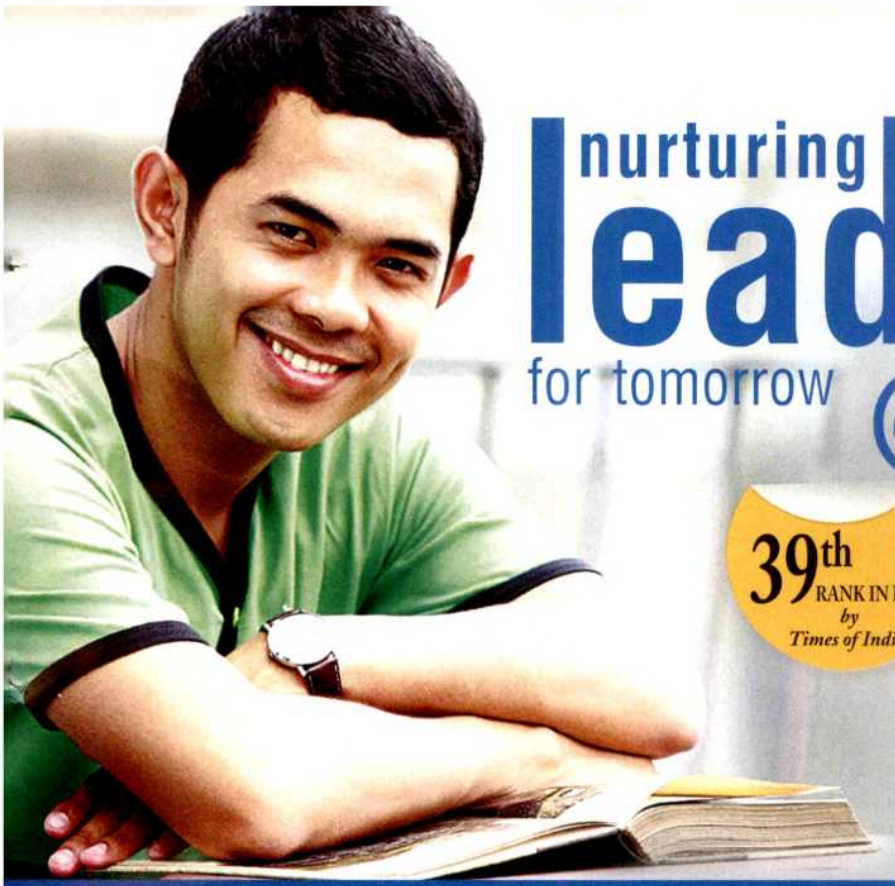

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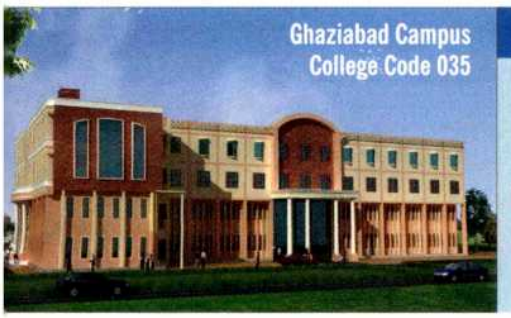

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Making Yourself Indispensable

If you want to get to the top, develop skills that complement what you already do best.

By JOHN H. ZENGER, JOSEPH R. FOLKMAN, and SCOTT K. EDINGER

A manager we'll call Tom was a midlevel sales executive at a *Fortune* 500 company. After a dozen or so years there, he was thriving – he made his numbers, he was well liked, he got consistently positive reviews. He applied for a promotion that would put him in charge of a high-profile worldwide product-alignment initiative, confident that he was the top candidate and that this was the logical next move for him, a seemingly perfect fit for his skills and ambitions. His track record was solid. He'd made no stupid mistakes or career-limiting moves, and he'd had no run-ins with upper management. He was

stunned, then, when a colleague with less experience got the job. What was the matter?

As far as Tom could tell, nothing. Everyone was happy with his work, his manager assured him, and a recent 360-degree assessment confirmed her view. Tom was at or above the norm in every area, strong not only in delivering results but also in problem solving, strategic thinking, and inspiring others to top performance. "No need to reinvent yourself," she said. "Just keep doing what you're doing. Go with your strengths."

But how? Tom was at a loss. Should he think more strategically? Become even more inspiring? Practise problem solving more intently?

It's pretty easy and straightforward to improve on a weakness; you can get steady, measurable results through linear development – that is, by learning and practicing basic techniques. But the data from our decades of work with tens of thousands of executives all over the world has shown us that developing strengths is very different. Doing more of what you already do well yields only incremental improvement. To get appreciably better at it, you have to work on complementary skills – what we call *nonlinear* development. This has long been familiar to athletes as cross-training. A novice runner, for example, benefits from doing stretching exercises and running a few times a week, gradually increasing mileage to build up endurance and muscle memory. But an experienced marathoner won't get significantly faster merely by running ever longer distances. To reach the next level, he needs to supplement that regimen by building up complementary skills through weight training, swimming, bicycling, interval training, yoga, and the like.

So it is with leadership competencies. To move from good to much better, you need to engage in the business equivalent of cross-training. If you're technically adept, for instance, delving even more deeply into technical manuals won't get you nearly as far as honing a complementary skill such as communication, which will make your expertise more apparent and accessible to your coworkers.

In this article we provide a simple guide to becoming a far more effective leader. We will see how Tom identified his strengths, decided which one to focus on and which complementary skill to develop, and what the results were. The process is straightforward, but complements are not always obvious. So first we'll take a closer look at the leadership equivalent of cross-training.

IDEA IN BRIEF

Good leaders can become exceptional by developing just a few of their strengths to the highest level – but not by merely doing more of the same

Instead, they need to engage in the business equivalent of cross-training – that is, to enhance complementary skills that will enable them to make fuller use of their strengths

For example, technical skills can become more effective when communication skills improve, making a leader's expertise more apparent and more accessible

Once a few of their strengths have reached the level of outstanding, leaders become indispensable to their organisations despite the weaknesses they may have

The Interaction Effect

In cross-training, the combination of two activities produces an improvement – an *interaction effect* – substantially greater than either one can produce on its own. There's nothing mysterious here. Combining diet with exercise, for example, has long been known to be substantially more effective in losing weight than either diet or exercise alone.

In our previous research we found 16 differentiating leadership competencies that correlate strongly with positive business outcomes such as increased profitability, employee engagement, revenue, and customer satisfaction. Among those 16, we wondered, could we find pairs that would produce significant interaction effects?

We searched through our database of more than a quarter million 360-degree surveys of some 30,000 developing leaders for pairings that resulted in far higher scores on overall leadership effectiveness than either attribute did on its own. The results were unambiguous. Take, for example, the competencies "focuses on results" and "builds relationships." Only 14 per cent of leaders who were reasonably strong (that is, scored in the 75th percentile) in focusing on results but less so in building relationships reached the extraordinary leadership level: the 90th percentile in overall leadership effectiveness. Similarly, only 12 per cent of those who were reasonably strong in building relationships but less so in focusing on results reached that level. But when an individual performed well in both categories, something dramatic happened: Fully 72 per cent of those in the 75th percentile in both categories reached the 90th percentile in overall leadership effectiveness.

We measured the degree of correlation between overall leadership effectiveness and all possible pairings of our 16 differentiating competencies to learn which pairings were the most powerful. We also matched our 16 competencies with other leadership skills and measured how those pairs correlated with overall leadership effectiveness. We discovered that each of the 16 has up to a dozen associated behaviours – which we call *competency companions* – that were highly correlated with

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An Informal 360

Before you can build on your strengths, you need an objective view of what they are. Ideally, this comes from a formal, confidential 360-degree evaluation. But if that's not possible, a direct approach can work. Try simply asking your team members, colleagues, and boss these simple questions, either in person or in writing

WHAT LEADERSHIP SKILLS do you think are strengths for me?

IS THERE ANYTHING I DO THAT MIGHT BE CONSIDERED A FATAL FLAW – that could derail my career or lead me to fail in my current job if it's not addressed?

WHAT LEADERSHIP ABILITY, IF OUTSTANDING, WOULD HAVE THE MOST SIGNIFICANT IMPACT on the productivity or effectiveness of the organisation?

WHAT LEADERSHIP ABILITIES OF MINE have the most significant impact on you?

Do your best to exhibit receptiveness and to create a feeling of safety (especially for direct reports). Make it clear that you're seeking self-improvement. Tell your colleagues explicitly that you are open to negative feedback and that you will absorb it professionally and appropriately – and without retribution. Of course, you need to follow through on this promise, or the entire process will fail

leadership excellence when combined with the differentiating competency. (For a complete list of the competencies and their companions, see *What Skills Will Magnify My Strengths?*

Consider the main competency "displays honesty and integrity." How would a leader go about improving a relative strength in this area? By being more honest? (We've heard that answer to the question many times.) That's not particularly useful advice. If an executive were weak in this area, we could recommend various ways to improve: Behave more consistently, avoid saying one thing and doing another, follow through on stated commitments, and so on. But a leader with high integrity is most likely already doing those things.

Our competency-companion research suggests a practical path forward. For example, assertiveness is among the behaviuors that when paired with honesty and integrity correlate most strongly with high levels of overall leadership effectiveness. We don't mean to imply a causal relationship here: Assertiveness doesn't make someone honest, and integrity doesn't produce assertiveness. But if a highly principled leader learned to become more assertive, he might be more likely to speak up and act with the courage of his convictions, thus applying his strength more widely or frequently to become a more effective leader.

Our data suggest other ways in which a competency companion can reinforce a leadership strength. It might make the strength more apparent, as in the case of the technically strong leader who improves her ability to communicate. Or skills learned in developing the competency companion might be profitably applied to the main competency. A leader strong in innovativeness, for instance, might learn how to champion change, thus encouraging his team to achieve results in new and more creative ways.

Building Strengths, Step by Step

As a practical matter, cross-training for leadership skills is clear-cut: (1) Identify your strengths. (2) Choose a strength to focus on according to its importance to the organisation and how passionately you feel about it. (3) Select a complementary behaviour you'd like to enhance. (4) Develop it in a linear way.

Identify your strengths. Strengths can arguably be identified in a variety of ways. But we contend that in the context of effective leadership, your view of your own (or even some perfectly objective view, supposing one could be had) is less important than other people's, because leadership is all about your effect on others. That's why we start with a 360 – as Tom did.

Ideally, you should go about this in a psychometrically valid way, through a formal process in which you and your direct reports, peers, and bosses anonymously complete questionnaires ranking your leadership attributes on a quantitative scale. You and they should also answer some qualitative, open-ended questions concerning your strengths, your fatal flaws (if any), and the relative importance of those attributes to the company. By "fatal flaws," we mean flaws so critical that they can overpower any strengths you have or may develop – flaws that can derail your career.

Not every organisation is able or willing to conduct 360s for everyone. So if that's not feasible, you may be able to solicit qualitative data from your colleagues if – and this is a big caveat – you can make them feel comfortable enough to be honest in their feedback. You could create your own feedback form and ask people to return it anonymously. (See *An Informal 360* for a suggested set of questions.) We have also seen earnest one-on-one conversations work for this purpose; if nothing else, they show your coworkers that you are genuinely interested in self-improvement. (Nevertheless, it's unlikely that anyone will tell you directly if you have fatal flaws.)

In interpreting the results, people commonly focus first on their lowest scores. But unless those are extremely low (in the 10th percentile), that's a mistake. (We have found that 20 per cent of executives do typically discover such a critical problem in their 360s; if you're among them, you must fix the flaw, which you can do in a linear way.)

What makes leaders indispensable to their organisations, our data unmistakably show, is not being good at many things but being uniquely outstanding at a few things. Such strengths allow a leader's inevitable weaknesses to be overlooked. The executives in our database who exhibited no profound (that is, in the 90th percentile) strengths scored only in the 34th percentile, on average, in overall leadership effectiveness. But if they had just one outstanding strength, their overall leadership effectiveness score rose to the 64th percentile, on average. In other words, the difference between being in the bottom third

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of leaders and being almost in the top third is a single extraordinary strength. Two profound strengths put leaders close to the top quartile, three put them in the top quintile, and four put them nearly in the top decile. (See *What Difference Can a Single Strength Make?*)

In this context, a look at Tom's 360 results sheds light on the question of why he was passed over for a plum assignment. Tom had no critical flaws, but he hadn't yet demonstrated any outstanding strengths either. With no strengths above the 70th percentile, he didn't score "good," let alone "outstanding," in overall leadership ability. Anyone in the organisation with a single notable strength was likely to outpace him for promotion opportunities. But if Tom could lift just a few of his relative strengths from the 70th to the 80th and then the 90th percentile, his overall leadership effectiveness might go from above average to good to exceptional. Clearly, those strengths merited a closer examination.

Like many people, though, Tom was initially galvanised by the low bars on his chart, which evoked a mixture of guilt and denial. His relatively low score on building relationships called up uncomfortable memories of high school – something he didn't mention as he looked over the results with his boss. But he did say that he couldn't believe he wasn't scored higher on innovativeness, and he started to tick off initiatives he felt he deserved credit for. Maybe he was innovative, and maybe he wasn't. It's common for your self-assessment to vary sharply from everyone else's assessment of you. But remember that it's others' opinions that matter.

When Tom did turn his attention to his strengths, he wasn't surprised to see that he scored well in focusing on results and in solving problems and analysing issues. Less obvious to him, and perhaps more gratifying, were his relatively high marks in developing strategic perspective and inspiring and motivating others. Now he could move on to the next step.

Choose a strength to focus on. Choices between good and bad are easy. But choices between good and good cause us to deliberate and second-guess. It may not matter which competency Tom selected, since enhancing any one of them would markedly improve his leadership effectiveness. Nevertheless, we recommend that developing leaders focus on a competency that matters to the organisation and about which they feel some passion, because a strength you feel passionate about that is not important to your organisation is essentially a hobby, and a strength the organisation needs that you don't feel passionate about is just a chore.

You can use your colleagues' importance ratings from the 360 assessment to get a somewhat objective view of organisational needs. But the prospect of following his passions alarmed Tom, who didn't know how to begin. Answering a series of questions made the notion more concrete. For each of the 16 competencies, he ran down the following list:

- Do I look for ways to enhance this skill?
- Do I look for new ways to use it?
- Am I energised, not exhausted, when I use it?
- Do I pursue projects in which I can apply this strength?
- Can I imagine devoting time to improving it?
- Would I enjoy getting better at this skill?

Counting his "yes" answers gave Tom a solid way to quantify his passions. A simple worksheet showed him how his skills, his passions, and the organisation's needs dovetailed. When Tom checked off his top five competencies, his five passions, and the organisation's top priorities, he could see a clear convergence. He decided to focus on the strength that, as it happens, we have found to be most universally associated with extraordinary leadership: "inspires and motivates others."

Select a complementary behaviour. People who excel at motivating others are good at persuading them to take action and to go the extra mile. They effectively exercise power to influence key decisions for the benefit of the organisation. They know how to motivate different people in different ways. So it was not surprising that Tom already did those things pretty well. He scanned the list of competency companions:

- Connects emotionally with others
- Establishes stretch goals
- Exhibits clear vision and direction
- Communicates powerfully and broadly
- Develops others
- Collaborates and fosters teamwork
- Nurtures innovation
- Takes initiative
- Champions change
- Is a strong role model

You should choose a companion behaviour that, like a good strength, is important to the organisation and makes you feel enthusiastic about tackling it. But at this point it's also constructive to consider your lower scores. In talking these points over with his manager,

WHAT DIFFERENCE CAN A SINGLE STRENGTH MAKE?

Raising just one competency to the level of outstanding can up your overall leadership effectiveness ranking from the bottom third to almost the top third.

PERCENTILE RANKING

LEADERS WITH NO OUTSTANDING STRENGTHS **34**

LEADERS WITH ONE **64**

... TWO **72**

... THREE **81**

... FOUR **89**

... FIVE **91**

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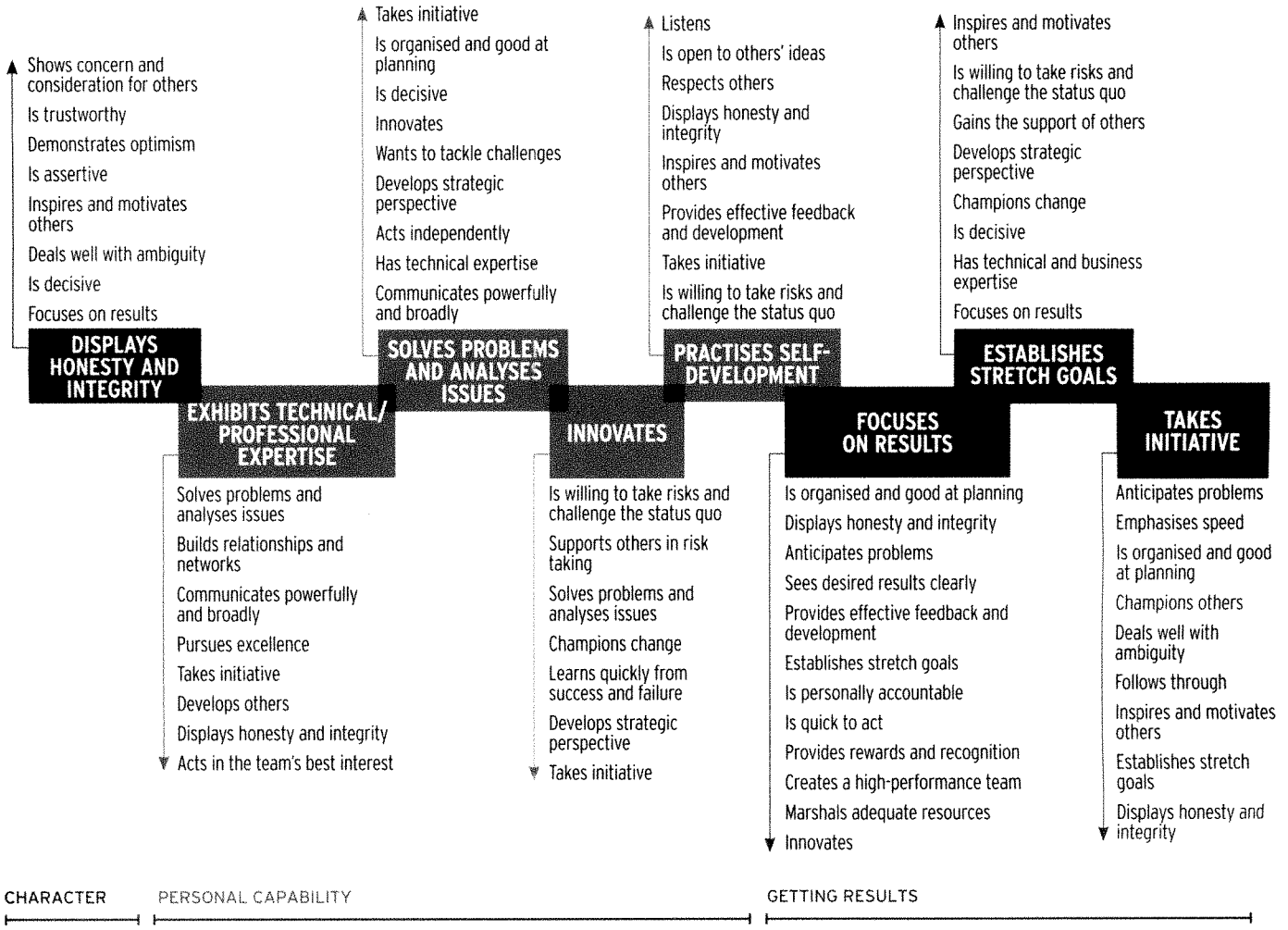
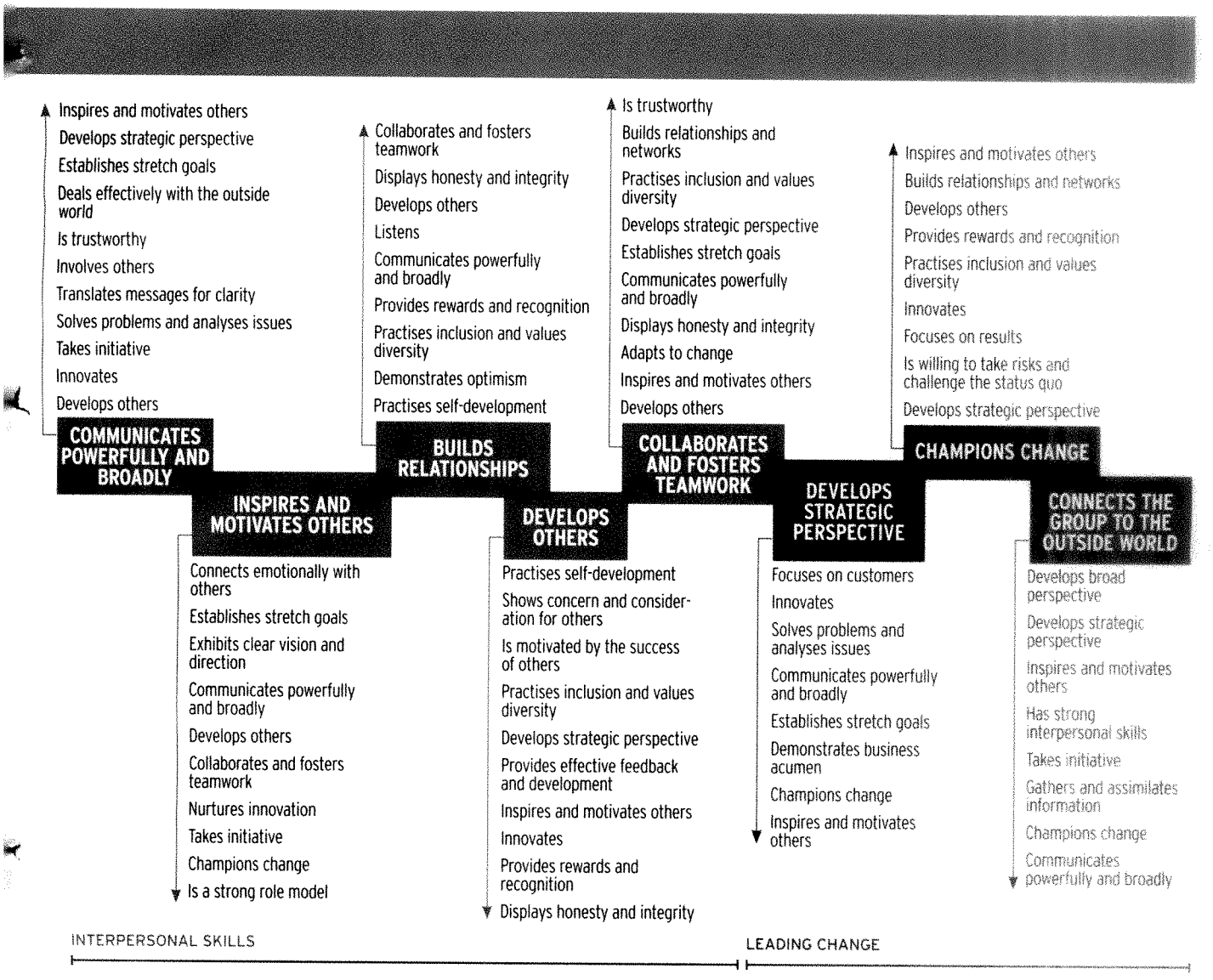


ABOVE Our research shows that 16 leadership competencies correlate strongly with positive business outcomes. Each of them has up to a dozen "competency companions" whose development will strengthen the core skill

Tom decided to work on his communication skills, which didn't score particularly high but were high enough that raising them a little could make a significant difference.

Develop it in a linear way. Having settled on a competency companion, Tom could now work at directly improving his basic skills in that area. Strong communicators speak concisely and deliver effective presentations. Their instructions are clear. They write well. They can explain new concepts clearly. They help people understand how their work contributes to broader business objectives. They can translate terms used by people in different functions. Tom saw lots of room for improvement here: No one would ever call him concise; he didn't always finish sentences he'd started; and he found writing a challenge.

We would have recommended that he look for as many opportunities as possible, both inside and outside work, to improve his communication. He could take a course in business writing. He could practice with friends and family, in his church or his community. He could volunteer to make presentations to senior management or ask colleagues to critique some of his memos and e-mails. He might volunteer to help high school students write college application essays. He could videotape himself making speeches or join a local Toastmasters club.



Tom decided to seek the advice of a colleague whose communication skills he admired. The colleague suggested that because writing was not a strong point, Tom should practice communicating more in person or over the phone. This turned out to be challenging: Tom found that before he could even begin, he had to change his approach to e-mail, because he was in the habit of constantly checking and replying to it throughout the day. He couldn't always substitute the phone, because he couldn't make calls while he was in a meeting or talking to someone else. He started to set aside specific times of the day for e-mail so that he could reply by phone or in person – a small change that had unexpected consequences. Instead of being interrupted and distracted at random moments throughout the day (and evening), his staffers had concentrated, direct interactions with him. They found these more efficient and effective, even though they could no longer choose when to reply to Tom's cryptic e-mails. Tom found that he connected better with people he talked to, both because his attention wasn't divided between them and his BlackBerry and because he could read their tone of voice and body language. As a result, he absorbed more information, and his colleagues w felt he was more attentive to their views.

Tom also started to pay more attention not just to how he was communicating but

to what he was saying. His colleague suggested that Tom start to keep track of how often he issued instructions versus how often he asked questions. Tom also took note of how much of what he said was criticism and how much was encouragement. Increasing the proportion of questions and encouragement had an immediate effect: His team began to understand him more quickly, so he didn't have to repeat himself as often. Several team members actually thanked him for allowing them to express their points of view.

Like Tom, you should expect to see some concrete evidence of improvement within 30 to 60 days. If you don't, what you're doing is not working. That said, complementary behaviours improve steadily with practice, and Tom's progress is typical: Fifteen months later, on taking another 360, he found he'd moved into the 82nd percentile in his ability to inspire. He wasn't extraordinary yet, but he was getting close. Our advice would be to keep at it – to improve another competency companion or two until he reaches the 90th percentile and becomes truly exceptional at inspiring others. Then he can start the entire process again with another strength and its complements, and another – at which point he will be making a uniquely valuable contribution to his company.

EXECUTIVES NEED A PATH TO ENHANCING THEIR STRENGTHS THAT IS AS CLEAR AS THE ONE TO FIXING THEIR WEAKNESSES

Can You Overdo It?

Everyone knows someone who is too assertive, too technically oriented, too focused on driving for results. Many people cite examples like these to argue against the wisdom of improving your leadership effectiveness by strengthening your strengths. Our research does in fact show a point where balance becomes important. The data suggest that the difference between having four profound strengths and having five is a gain of merely two percentage points in overall leadership effectiveness. Thus leaders who are already exceptional should consider one more variable.

You will note in the exhibit *What Skills Will Magnify My Strengths?* that the 16 differentiating competencies fall into five broader categories: character, personal capability, getting results, interpersonal skills, and leading change. People who have many strengths should consider how they are distributed across those categories and focus improvement efforts on an underrepresented one.

But we cannot think of a less constructive approach to improving your leadership effectiveness than treating your strengths as weaknesses. Have you ever known anyone who had too much integrity? Was too effective a communicator? Was just too inspiring? Developing competency companions works precisely because, rather than simply doing more of the same, you are enhancing how you already behave with new ways of working and interacting that will make that behaviour more effective.

Focusing on your strengths is hardly a new idea. Forty-four years ago Peter Drucker made the business case eloquently in *The Effective Executive:* "Unless...an executive looks for strength and works at making strength productive, he will only get the impact of what a man cannot do, of his weaknesses, his impediments to performance and effectiveness. To staff from what there is not and to focus on weakness is wasteful – a misuse, if not abuse, of the human resource." Since then a body of work has grown up supporting and advocating for Drucker's approach. Our own research shows how big a difference developing a few strengths can make. It is distressing to find that fewer than 10 per cent of the executives we work with have any plan to do so.

We are convinced that the problem is less a matter of conviction than of execution. Executives need a path to enhancing their strengths that is as clear as the one to fixing their weaknesses. That is the greatest value, we believe, of the cross-training approach: It allows people to use the linear improvement techniques they know and understand to produce a nonlinear result.

Often executives complain to us that there are not enough good leaders in their organisations. We would argue that in fact far too many leaders are merely good. The challenge is not to replace bad leaders with good ones; it is to turn people like Tom – hardworking, capable executives who are reasonably good at their jobs – into outstanding leaders with distinctive strengths. ◆

John H. Zenger *is the CEO,* **Joseph R. Folkman** *is the President, and* **Scott K. Edinger** *is the Executive Vice President of Zenger Folkman, a leadership development consultancy.*
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Mr. Anupam Kher @ Accurate on the eve of orientation day of PGDM (2012-14) batch

Dr. GVG Krishnamurthy @ Accurate campus on the eve of Convocation

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– Poonam Sharma
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Today a mere degree is not what students look at when they fill in their admission forms for an institute because it is not just the pursuit of a degree or a discipline that got them there at the first place. It is the hope of a secure future, after clearing entrances and cut offs to gain entry into the courses of their choice- students think of it as a sort of prerogative to get placed in a good enterprise from their passing institutes. More and more private institutes have noticed the trend and have taken the issue of placements quite seriously. This has resulted in aggressive strategies to tie up with premier enterprises for training and placement of the students of these sought after private players. Parents feel a sense of assurance in admitting their children to an institute if they see a credible track record of alumni being placed by the placement cell of the institute. A course has therefore become a wholesome package where one has to have all the key ingredients namely- desired course, good infrastructure, great faculty and good placements.

It is like ensuring the future of a candidate and making them feel no less than an IIT or IIM graduate by providing them placement opportunities that do justice to the investment they have made in the institute as well as their academic acumen.

Symbiosis Institute of Business Management (SIBM), Pune

Established in 1978, Symbiosis Institute of Business Management (SIBM) Pune is the flagship institute under the Symbiosis International University (SIU). From its humble beginnings, SIBM has come a long way to become one of India's leading B Schools with a sprawling, green campus in a picturesque setting atop a hill. Apart from its multi-disciplinary faculty drawn from the cream of academia and industry, SIBM Pune also boasts of state-of-the-art technology and sports facilities.Its in-house Cricket ground, swimming pool, basketball court, gym, yoga/fitness centre, indoor squash and badminton courts give students a chance to pursue sports and fitness.

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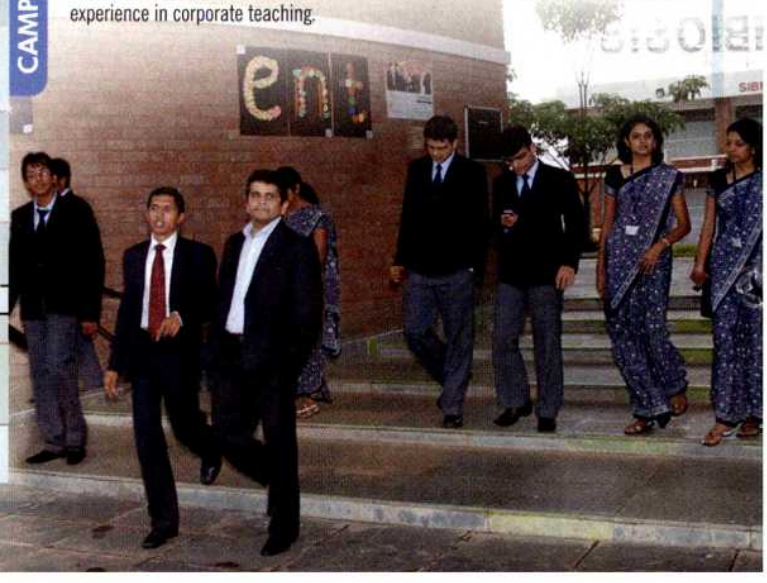
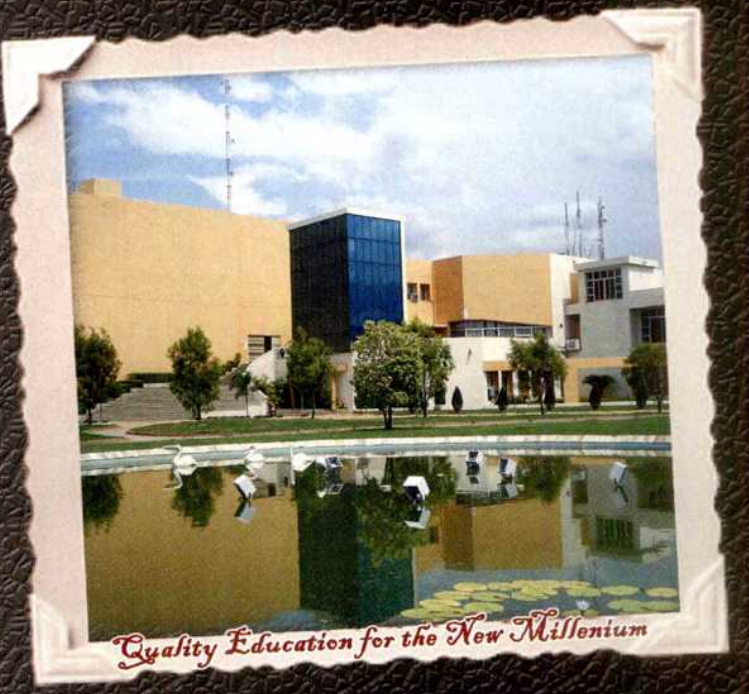
CAMPUS RECRUIT

Name of the Institute	SIBM Pune
Address	Symbiosis Knowledge Village, Gram: Lavale via Sus Road, Tal: Mulshi, Dist- Pune - 412115
Phone Number	Tel: 91-020-39116000 / 39116007/ 39116008 / 39116009 / 39116010 FAX: 91-020-39116060
Website & E-mail	placements@sibmpune.edu.in, supriyachouthoy@sibmpune.edu.in, sapanshrimal@sibm.edu
Contact Person for Placements	Prof Supriya Chouthoy and Prof Sapan Shrimal
Number of total students in 2012 batch	174
Number of students successfully placed	174
Highest Salary	Rs. 29 lakhs Per Annum
Average Salary	Rs 11.46 lakhs Per Annum
Top Recruiters: Jumbo Electronics LLC, Goldman Sachs Services Pvt. Ltd., J.P. Morgan Services India Pvt. Ltd., Glaxo SmithKline Consumer Healthcare Ltd., Coca-Cola India Inc.	
Number of students in 2013 to be placed	209



C. V. Raman College of Engineering



The college campus extends over 100 acres of beautifully landscaped area situated at the outskirts of Bhubaneswar by the side of NH5. It houses excellent classrooms, fully equipped labs, organized workshops, a well-stocked library, modern conference halls, an auditorium, facilities for sports, games, gymnasium, and refreshment centers, all that are required for growing minds and budding professionals.

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Name of the Institute	Accurate Institute of Management and Technology, Greater Noida
Address	Plot No. 49, Knowledge Park 3, Greater Noida
Phone Number	(0120) 2328234/ 2328307
Website & E-mail	www.accurate.in, gd@accurate.in
Contact Person	Prof. Mohammad Ehtesham
Number of total student in 2012 batch	300
Number of students successfully placed	100%
Highest Salary	Rs. 7.5 Lakhs Per Annum
Average Salary	Rs. 3.25 Lakhs Per Annum
Top Recruiters: Mytrah Energy Limited, Oriental Bank of Commerce, Yes Bank, Redington India Limited, HCL Infosystems Limited, Safeexpress Pvt. Ltd., Dion Global Solutions, Hewlett-Packard, Genpact, Godrej, Nestle And many more...	
Number of students in 2013 to be placed	300

ACCURATE

CAMPUS RECRUIT

Name of the Institute	International School of Business & Media
Address	Survey No. 32/2, Ashoka Plaza, Near Hyatt Regency, Nagar Road,
Phone Number	020-67212444, 9503838903
Website & E-mail	www.isbm.edu.in, kshiv55@gmail.com
Contact Person for Placements	Cdr. S.K. Srivastava
Number of total students in 2012 batch	310
Number of students successfully placed	All
Highest Salary	Rs. 13.6 Lakhs Per Annum
Average Salary	Rs. 6.18 Lakhs Per Annum
Top Recruiters: PepsiCo, Mercedes Benz, Asian Paints, Britannia, Honeywell Automation, Raymond, Futures First, Deloitte, Tata Chemicals, Future Capital, Haier, ICICI Pru AMC, ING Vysya Bank, ITC Infotech, ITC Lifestyle, Kotak Mahindra, Panalpina, Pyrotech, Kuehel Nagel, Paper Product, Sodexo, Standard Chartered, Super Max, Tata Technologies, TVS, Duetsche Bank, CEAT, HSBC, Birla Sun life AMC, Bajaj Allianz, Zycus Infotech, Mahindra 2 Wheelers, Ultra Tech, DLF Pramerica, India Infoline Premier, Piaggio, Atul Limited, Tata Motors, Tata BlueScope, Reliance Broadcast, Xerox, Thomas Cook, LG, GSK Pharma, TNT, Atlas Copco, AUM Capital, ICICI Securities, Syntel, Proptiger, DMV Global Data, Tata Steel Production & Distribution Ltd, Alliance Tire group, ACC Concrete, Bank of Baroda, Hindustan Times, Force Motor, Future Group, Hypercity, ICI Paintss, JM Baxi Boxco, Jubilant Life Sciences, Nerolac Paints, Newswire 18, Torrent Pharma, TCI, DB Schenker, SBI GI, SBI Life, Beoore, Chola Mandalam, IFB Global, L&T Infotech, Dish TV, Future Capital	
Number of students in 2013 to be placed	347

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Founded in 2000, ISB&M has grown rapidly over the decade with branches in Pune, Kolkata, Bangalore and Gurgaon. ISB&M continues to maintain a very high standard of education and training, and continuously strive to create superior learning environment and to promote great career to its students. ISB&M's Post Graduate training is contemporary and supported by highly accomplished faculty, state-of-the-art infrastructure and promotes culture of liberty, openness, friendship, energy, enthusiasm and a new lifestyle. In a holistic approach, ISB&M students learn to work under very demanding schedule and perform in the most inspiring way. ISB&M has crossed several milestones since its inception and at each milestone the family has grown. Over 6500 alumni are performing exceedingly well in different parts of the country and abroad. Ms. Meghna Dixit, 2004 batch alumni is the Head HR (AVP) West Asia First Advantage. For her ISB&M has been the stepping stone towards her career dreams. Specialization in HR helped her to develop an increasingly effective management style and entrepreneurial spirit, with a strategic Human Resource development bent of mind. According to Ms. Gangotri Deb Bhayana, 2006 batch alumni, ISB&M has been a place of learning entrepreneurship and developing an attitude of 'go getter' by chasing extremely high altitude goals and a confident personality. Currently, Gangotri is associated with Lowe Lintas as Director-Brand Services. ISB&M always keep the light blazing and encourage you to dream and achieve your ambitions...

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Phone Number	0120-2320210-11-12
Website & E-mail	www.gnit.net, gnit@gnit.net/ snathsharan@yahoo.com
Contact Person for Placement	Shri Prashant Khare
Number of total students in 2012 batch	650
Number of students successfully placed	375
Highest Salary	Rs. 6.5 lakhs Per Annum
Average Salary	Rs. 2.75 lakhs Per Annum
Top Recruiters: Infosys, HCL, Accenture, Thoughtworks, Lurgi, Videocon, Genpact, Indiabulls, I-Max Services Ltd.	
Number of students in 2013 batch to be placed	700

Vishwakarma Institute of Technology (V.I.T.) Pune, Maharashtra

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V.I.'s visionary management has signed 50+ MOUs with Industries, Industrial Consultants and National & International Universities.

V.I.T. is one of the premier technical institutes in the country. It is the first private unaided technical institute in Maharashtra to receive the status of Academic Autonomy conferred upon by the University of Pune. Under Autonomous structure, Industries/Industrial Consultants offer 12 courses per year. For global competency, Foreign Languages, soft skill courses and Elective subjects from Commerce/Management are included in curriculum.

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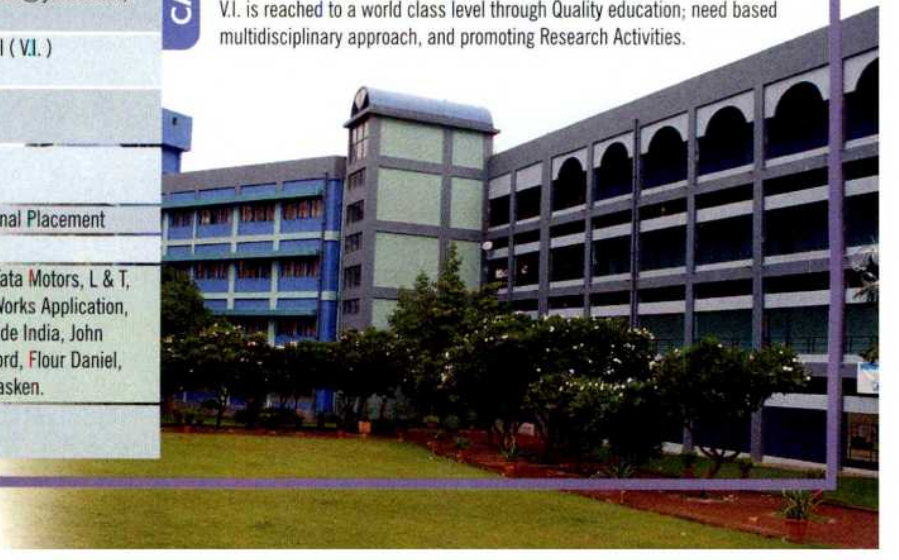
Address	666, Upper Indira Nagar, Bibwewadi, Pune 411037. Sr. No 3/4, Kondhwa Bk, Pune - 411048
Phone Number	020-24202200, 020-26932600
Website & E-mail	www.vit.edu, www.viit.ac.in, director@vit.edu, prinviit@viit.ac.in, tpo@vit.edu, tpovit@yahoo.com, placement@viit.ac.in
Contact Person for Placements	Prof. A. S. Kulkarni – Head, T & P Cell (V.I.)
Number of total student in 2012 batch	1100
Number of students successfully placed	911
Highest Salary	Rs. 35 Lakhs Per Annum – International Placement
Average Salary	Rs. 4 Lakhs Per Annum
Top Recruiters: NVIDIA, Texas Instruments, Mercedes Benz, Tata Motors, L & T, Mahindra & Mahindra, Cognizant, Infosys, Wipro, Accenture, Works Application, Thoughtworks, Tata Technologies, Deloitte, Morgan Stanley, Uhde India, John Deere, Eaton, Persistent, Cummins, Oracle, General Motors, Ford, Flour Daniel, Bosch, Microsoft, Indian Army, Volkswagen, EQ-tech, Cisco, Sasken.	
Number of students in 2013 to be placed	1400



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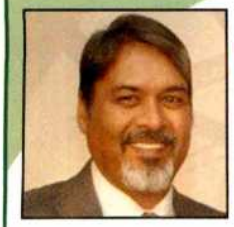

Dr. Pramod Kumar
President

Ph.D. (Organizational Behaviour), IIT Bombay. Formerly with Ruparel College, Mumbai, IIT Bombay and IIM Ahmedabad; Former Chairperson Placement, XLRI Jamshedpur; Ex-Director, SIBM, Pune; Consultant to over 80 companies worldwide. Internationally quoted scholar.

Dr. P. K. De
Executive Director, ISB&M

Ph.D., IIT Kharagpur, M.E. (Gold Medalist), Former Dean (Academics), XLRI Jamshedpur; Ex-Professor at S.P. Jain Inst. of Management & Research. Was awarded the Worked with Tata Motors, Maruti Udyog, IRSO and Braithwaite & Co., EICEP (Euro-India Cooperation & Exchange Programme); Visiting Professor at University of Bielefeld, Germany, Denmark and UAE. A corporate consultant.

Prof. S. K. Srivastava
Director, Viman Nagar Campus

GMP, IIM Lucknow; M.Tech IIT Kanpur; B.E.(MMMEC, Gorakhpur Electronics and Telecommunication) Twenty one years with Indian Navy in Embedded technology based System Design, Integration and operation, Forecasting, planning and management of material, execution of projects and controlling. Travelled extensively to Israel, Russia and France for prestigious projects of Navy.

Prof. Surendra Poddar
Head, Kolkata Campus

B. E. (Electronics), PGPM (Finance & Systems) MDI, Gurgaon, CFA (USA), FRM (USA)Worked with Reckitt Benckiser India Ltd., Career Launcher India Ltd. etc. Conducted MDP's for various organizations. Personal Finance Consultant. Currently pursuing FPM, XLRI-Jamshedpur.

Prof. Vijay Dhote
Director, Bangalore Campus
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C.V. Raman College of Engineering, Bhubaneswar (Orissa)

Established in 1997, CVRCE is a growing institution set up to promote high standard technical education in the country. The institution aims at moulding a new breed of technocrats with a competitive edge to match national and international standards. The institution hopes that its students will become not only successful professionals but also excellent human beings who will contribute significantly to the welfare of the society and to enriching the quality of life.
The institution is approved by All India Council of Technical Education (AICTE) and affiliated to Biju Patnaik University of Technology (BPUT). The institute is accredited by NAAC, NBA and SMERA. It is also an ISO 9001-2008 certified institute. CVRCE is committed to imparting quality education and training so as to foster in the students a desire for continuous learning and improvement. The college campus has created beautifully landscaped area situated at the outskirts of Bhubaneswar by the side of NH5. It houses excellent classrooms, fully equipped labs, organized workshops, a well-stocked library, modern conference halls, an auditorium, facilities for sports, games, gymnasium, and refreshment centres-all that are required for growing minds and budding professional.

CAMPUS RECRUIT

Name of the Institute	C.V. Raman College of Engineering
Address	Bidyanagar, Mahura, Janla Bhubaneswar - 752 054 (Orissa)
Phone Number	Phone: +91 674 - 3296508
Website & E-mail	http://cvrgi.edu.in / placements@ cvrce.edu.in
Contact Person for Placements	Mr. A.K. Rout
Number of total students in 2012 batch	540
Number of students successfully placed	512
Highest Salary	4.5 Lakhs Per Annum
Average Salary	3.5 Lakhs Per Annum
Top Recruiters: Infosys, Mahindra Satyam, Accenture & Essar	
Number of students in 2013 to be placed	486

Babu Banarsi Das Institute of Technology, Ghaziabad (U.P.)

BBDIT was established in the year 2000, under the aegis of Rajiv Educational Trust, with a vision and avowed objective to provide contemporary and quality education in the areas of Engineering , Management and IT. The Institute is affiliated to U.P. Technical University, Lucknow and is recognized by the A.I.C.T.E., (HRD) Govt. of India, New Delhi, and the U.P. Govt. and is professionally affiliated to IETE (Institution of Electronics and Telecommunication Engineers, India), IEI (Institution of Engineers, India) & CSI (Computer Society of India). The institute has also entered into a collaborative programme for Masters programmes in Engineering branches and Business Administration (MBA) with Gannon University, Pennsylvania, USA, to offer International Quality education in Engineering, Computer and Information Science and Management disciplines. The Institute has a galaxy of visiting faculties drawn from Institutes like DCE, IIT (Delhi), Jamia Millia and other prestigious colleges, who are invited to deliver lectures on specialized topics in high tech areas. A well equipped library, an advanced technology computer lab and an internet enabled campus only adds to the institute's pride. The Institute has a fully computerized air-conditioned Professional Communication Lab that caters to enhance the communication skills of the students. BBDIT also provides an enabling environment to the students, which helps them not only to achieve the command on their academic subjects but also bring out innate talents or soft skills of the students. The BBDIT Training and Placement cell, provides its students with the best avenues to utilize their skills by helping them find gainful employment with the best of the engineering firms.
In addition to this, the institute also has an Alumni Network which allows interaction between the alma mater and the students pursuing the common goal of a successful career.

CAMPUS RECRUIT

Name of the Institute	BABU BANARSI DAS INSTITUTE OF TECHNOLOGY
Address	7th K.M. on N.H. 58, Delhi-Meerut Road, Duhai, Ghaziabad (U.P.)
Phone Number	0120) 2675912, 2679017 / 18 / 19
Website & E-mail	www.bbdit.edu.in, Email: info@bbdit.in
Contact Person for Placements	Mr. H.K. Bhansali, Head (Training & Placement)
Number of total students in 2012 batch	418
Number of students successfully placed	377
Highest Salary	Rs. 7 Lakhs Per Annum
Average Salary	Rs. 3.8 Lakhs Per Annum
Top Recruiters: Infosys, ESS, CTCI, Vault, Zven Tech, Ericsson, HCL Comnet, Remaxys, MSEW, Indian Army, Indian Airforce, Interra IT, Catvision , GPP.	
Number of students in 2013 to be Placed	424

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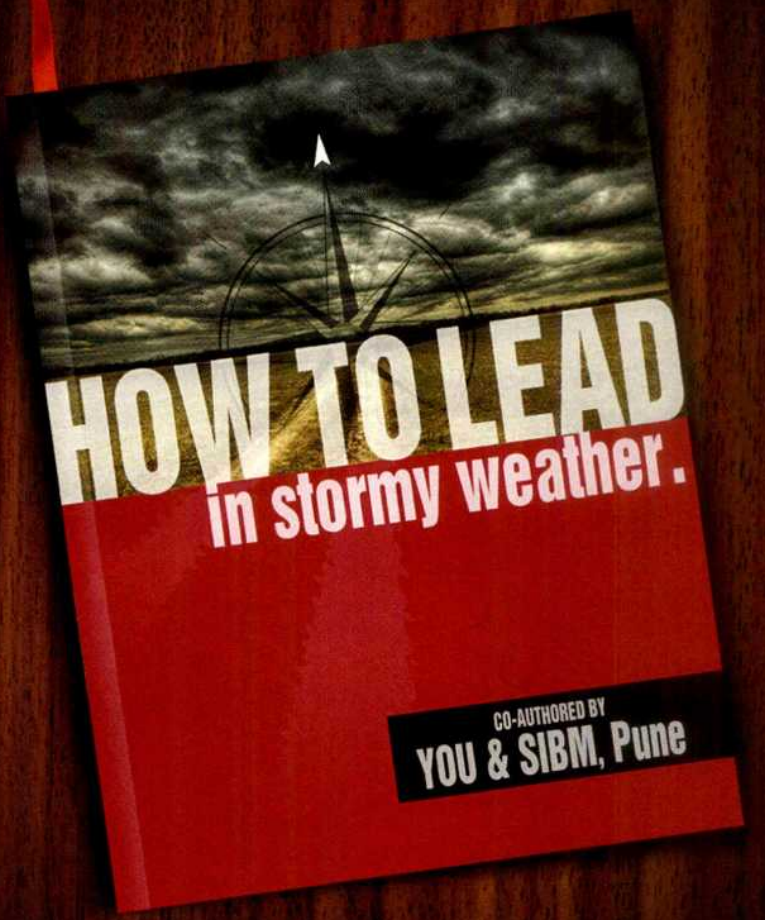

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Mr. R. G. Rajan
Chairman and Managing Director

RCF's Chairman & Managing Director, Mr. R. G. Rajan, a chemical engineer and expert in energy auditing, coming from GAIL and PDIL, shares his experiences on the assignment at RCF and his vision of achievements he wants to accomplish while at RCF over the years.

RCF is a leading fertilizers and chemicals manufacturing PSU. It has two operating units one at Trombay in Mumbai and the other at Thal, Raigad Distt., Maharashtra. RCF manufactures Urea, Complex Fertilizers, Bio-fertilizers, Micro-nutrients, 100 per cent water soluble fertilizers and a wide range of Industrial Chemicals. It produces 23 lac MT Urea, 6.5 lac MT Complex fertilizers and 1.6 lac MT of Industrial Chemicals every year. RCF has a strong marketing network covering 20 major states. The "Ujjwala" and "Suphala" brands of the Company are well recognized throughout the country and enjoy a high brand equity. Apart from the own manufactured products, the Company is also engaged in marketing of imported fertilizer inputs like, DAP, MOP & NPK fertilizers. The Company has sold about 41 lakh M[redacted] fertilizers last year.

RCF has been consistently rated "Excellent" for the last several years by the Govt. of india for superlative performance with respect to MOU. Having accredited with Mini Ratna status by GoI, it is now poised to get Navaratna Status. The Company is one of the few PSUs which have been posting profits consistently. During 2011-12, the Company clocked a turnover of ₹6433 crore with a profit of ₹249 crore.

It has been a challenging assignment for the last one and half years. There have been issues of shortage of gas, non availability of imported products, rupee depreciation, etc but with the help of strong and dedicated work force of RCF, we have been able to overcome all challenges and the Company has grown from strength to strength increasing the profit year after year. As the price of gas is increasing day-by-day, energy conservation is the need of the hour to maintain the momentum of sustained industrial growth in the country. The industry is aware of its responsibilities and is working towards further reduction in energy consumption. RCF is implementing a revamp project at Thal which will reduce the energy consumption from 6.38 GCal/MT of Urea to around 5.9 GCal/MT of Urea with augmentation in production capacity. Similar other measures for reduction in energy consumption are undertaken at Trombay also.

FUTURE PLANS

RCF is planning to embark on a handful of new projects within as well as outside the country. The Company is planning the 3rd phase of expansion of Thal unit by setting up Ammonia – Urea plants to produce 1.3 million TPA urea. A SSP plant of 5 lakh TPA capacity at Thal is also under consideration. Besides, RCF also plans to set up a 1.27 million TPA urea manufacturing facility through coal gasification route in consortium with Coal India Ltd. under the scheme of revival of FCI sick unit at Talcher. The project is aiming to make a breakthrough for an alternative source of feedstock in the domestic scenario where natural gas is always in short supply. RCF is also actively pursuing to set up gas based Ammonia – Urea plants to produce about 1 million TPA at Ghana under the MOU signed between Govt. of India and Ghanaian Govt. A similar capacity Urea plant in Indonesia based on coal gasification process is also under examination. A total investment of ₹ 16500 crore has been envisaged over the next five years in various projects as mentioned above.

SUSTAINABLE DEVELOPMENT

RCF has been operating plants at Trombay and Thal for more than 45 years and 25 years respectively and maintaining the quality of environment throughout these years. This, in itself, demonstrates the Company's commitment towards environment conservation and concern about the neighbourhood. The Company has undertaken a massive drive for tree plantation under the aegis of the "Chembur Green Project".

A CDM project for N_2O (green house gas) abatement at Trombay has been completed which has the potential of generating 1 million CERs per annum. The Company has also implemented several other initiatives to convert waste to wealth such as conversion of solid waste phospho-gypsum to load bearing wall panels (Rapidwall) & plaster and recovery of process water from sewage. Rapidwall panels are environmental friendly, low cost, prefabricated wall panels with broad

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The Difficulty of Being Good - By Gurcharan Das.

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As a child I wanted to be...
An Engineer

My view on taking risks is ...
They are necessary to grow.

I find inspiration from...
Our ancient scriptures

I take failure as...
A stepping stone to success.

The message for my team ...
Discover the diamond in you.

construction applications made from gypsum, glass rovings and special chemicals. In comparison to conventional building material, these are cheaper, suitable for fast construction, lighter in weight and earthquake/ corrosion/ fire/ termite resistant. Rapid wall plant is set up at Trombay with the technology provided by M/S Rapidwall Building Systems Pty. Ltd., Australia with a capacity to produce 1.4 million sq.m. panels and 40000 MT wall plaster per annum. Rapidwall plaster is also a superior alternative to conventional cement and sand mix plaster which will provide substantial cost saving apart from superior finish. Rapidwall could be the best answer to the emerging national concern for providing affordable housing to the needy mass of low income group. The Company has set up Sewage Treatment Plant which was one of its kind in the country when it was commissioned. The plant treats about 5 MGD of sewage generated by Mumbai city which otherwise would have been drained into the sea to generate 3 MGD of pure process water and saves the equivalent amount of potable water for the city. The Company has initiated action to double the existing capacity of sewage treatment.

For complete transparency in dissemination of environment related data & information, real time emission levels are displayed at factory entrance for public viewing. Apart from maintaining ISO 14000 accreditation for environment since a decade, RCF has also been able to gain the confidence & appreciation of the general public (in the neighbourhood of Chembur) who were otherwise skeptical of the Company's efforts to keep the pollution levels in check.

R & D INITIATIVES

For better nutrient use efficacy, RCF has introduced indigenously manufactured 100 per cent water soluble fertilizers under the brand name "Sujala" which is steadily gaining popularity. The company has started commercial production of Boronated Suphala, Neem Coated Urea and liquid Bio-fertilizers. RCF is also working on the development of a number of value-added products like Urea fortified with different micronutrients, Boronated Sujala, Zincated Suphala, etc. apart from site specific crop specific customized fertilizers.

SERVICE TO FARMERS AND OTHER CSR ACTIVITIES

Maximum customer satisfaction and an integrated network of factory-to-farm services is the backbone of RCF's marketing strategy. The Company's objective is not only to sell its products, but also to work as agents of change, bringing to the farming community increased income and a brighter future. In this direction, the Company provides a full range of marketing services including sales, fertilizer promotion, agricultural research and free agronomical services. Starting with soil testing, analysis and recommendation for the correct nutrient inputs & dosages, advice on preparation of the field for sowing, demonstration of correct fertilizer usage are some of the basic services provided by the Company. RCF owns two Farmers' Training Institutes, one at Nagpur and the other at Thal, where more than 2000 farmers are trained every year. The main aim of these institutes is to provide scientific training to small and marginal farmers about integrated nutrient management and also to impart training to women farm labourers. Under the scheme of "National Project on Management of Soil Health and Fertility", RCF is setting up new six static and six mobile soil testing labs which will add to the capacity of the existing six static labs.

Besides, a host of CSR activities are undertaken by the Company which includes village adoption, providing drinking water, providing school facilities, scholarships to meritorious students, special measures for SC/ST and under privileged, etc.

Rajan says, "The Company has ambitious capex plans which if fructify would catapult it into a mega status. RCF is planning capital investment of around ₹16500 crore over the next five years for setting up new plants and expanding the existing units. Usually, the Company funds its projects in debt- equity ratio of 2:1. Our aim is to have a turnover of ₹15000 crore by the end of the 12th Five Year Plan."

PRIYADARSHINI Eastern Express Highway, Sion, Mumbai.

"QUOTE"

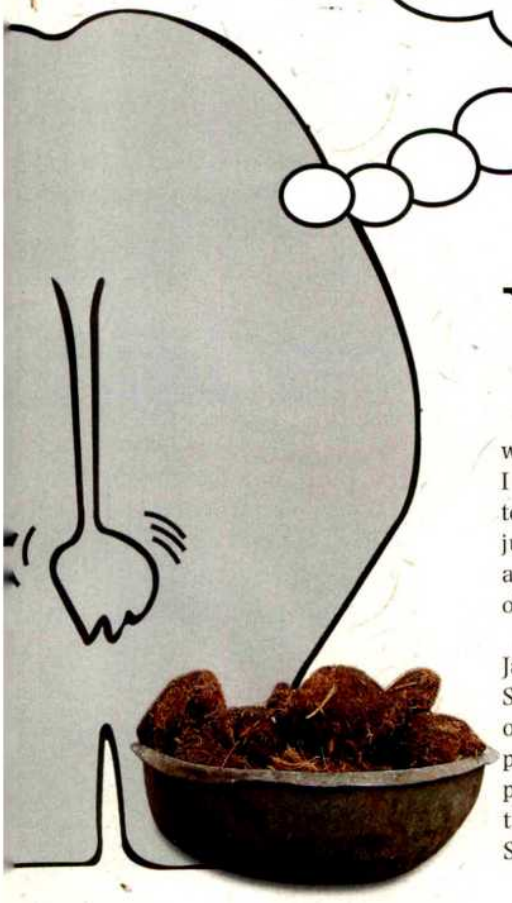
"RCF is targeting single window services whereby farmers can get farm related know-how and agri related inputs under one roof. RCF is also focused on value-added Industrial Chemical Products. Emphasis will be on increasing turnover and profitability of the Company and to ensure sustained growth. The Company has developed a definite road map and is actively pursuing specific projects, both in India and abroad. I see RCF growing as world class corporate with a dominant position in Indian markets, ensuring optimal utilization of resources and taking care of environment."

LAST BUT NOT LEAST

EXECUTIVE HEALTH 132 CAREERS 136 PEOPLEBUSINESS 138

The Scoop on Poop

Vishakh Unnikrishnan meets a Jaipur entrepreneur who makes paper from elephant dung



Vijendra Shekhawat remembers the precise moment the bizarre idea struck him. "It was the first time Mahima Mehra, who is now my business partner, and I were visiting the Amber Fort together," he says. "She nudged me just in time for me to step back, avoiding placing my foot on a mound of elephant dung."

Elephants abound at this fort on Jaipur's outskirts, built by Raja Man Singh in 1596, and elephant rides are one of its major attractions. Naturally, piles of elephant dung are a permanent part of the landscape. As he stared at the stinking lumps, however, Shekhawat, who ran a small handmade paper business, saw a business opportunity. He began to wonder if he could use it as raw material for his paper.

Most people Shekhawat shared the idea with thought he was insane, but he knew something they did not: elephant dung has high fibre content. "The elephant's gastrointestinal tract cannot digest fibres well and thus its dung has the potential to form the pulp needed to make paper," he says. "This is an animal which digests only 40 per cent of what it eats." Today, Haathi Chhap, the brand of paper Shekhawat and Mehra make from recycled dung, is sold at 40 outlets within the country and even exported, earning total revenues of ₹35 lakh in

PHOTOGRAPHS BY SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

Wealth from waste: Vijendra Shekhawat (above, riding a bike) with his family

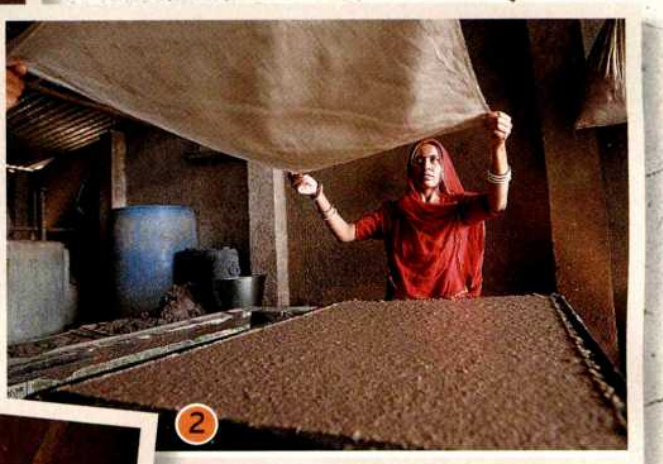
Metamorphosis: (Left) Some Haathi Chaap products

2011/12. There are Haathi Chaap cards, notebooks, bags, photo albums and numerous knick-knacks. It has outlets in every metro, with the most demand coming from Mumbai, Bangalore and Chennai.

The company began in early 2004, but it has not been a comfortable elephant ride. "Barring Mahima, everyone criticised me," says Shekhawat. "My mother went ballistic at the idea of bringing dung into the house. She claimed no one would ever marry me because of my occupation." Collecting the dung was itself a difficult proposition, as few workers were willing to sully their hands doing so. It had then to be disinfected and

experiments carried out to see if it would yield the right quality of pulp for making paper. Shekhawat spent months on his experiments till he perfected the method he uses. "I have no obsession with dung," he adds. "I had experimented with other things too," he adds. "I used the fibrous remains of banana tree stems. I tried to use silk threads to make decorative paper. But somehow none of these worked, while elephant dung did."

Shekhawat finally managed to win over his family by invoking religious associations. "I told them that when one of the most invoked gods of the Hindu religion, Ganesh, was elephant-headed,



Not for the Squeamish

1 Elephant dung is collected and washed thoroughly in tanks. The waste water is used to irrigate fields

2 The dung is heated to kill bacteria. Unusable fibre content is removed and what remains is dried. The fibre is disinfected and beaten to pulp

3 The pulp is pressed into sheets after adding water to achieve desired thickness. The sheets are dried in the shade

4 The sheets are smoothened, cut, packed and shipped

there was no reason to consider elephant dung unholy," he says. "I informed them that there was a section of Brahmins who regarded elephant dung as sacred."

Today most teething problems have been left behind. Shekhawat's wife – he had no problems finding one – is actively involved in the production, as is his brother. It remains a cottage industry, with Shekhawat employing just three men to heat, clean and sort the dung, while the subsequent processes are handled by himself, his wife and his brother (see *Not for the Squeamish*). Shekhawat still personally collects the dung every morning. To improve its quality he supplies the owners of the elephants he collects from with green fodder for the elephant's diet. Every 1,000 kg of dung yields around 150 kg of pulp.

"My previous experience in the handmade paper industry helped me in various degrees to establish Haathi Chaap," says Shekhawat's partner Mehra, who handles most of the distribution. She revealed that Haathi Chaap struggled for the first few years, but saw a remarkable spike in its revenues after 2007/08. "Till around 2010, there was hardly any company barring ours that mass produced handmade paper, so the market itself was diminutive," she adds. "Improved socio-economic conditions and more fledglings entering the fray also helped increase demand."

However, neither Shekhawat nor Mehra wants to scale their project. "We prefer not to go to big retailers because of the demands such people make," says Mehra. "Sometimes our deliveries are delayed, especially during the monsoons, when the pulp takes a long time to dry, but our retailers do not mind." Shekhawat agrees. "I think the collegial nature of our business is what makes it sustainable," he says. ◆

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NANDAGOPAL RAJAN

Proliferating Pixels

Pushed by smartphones, camera megapixel counts are increasing manifold

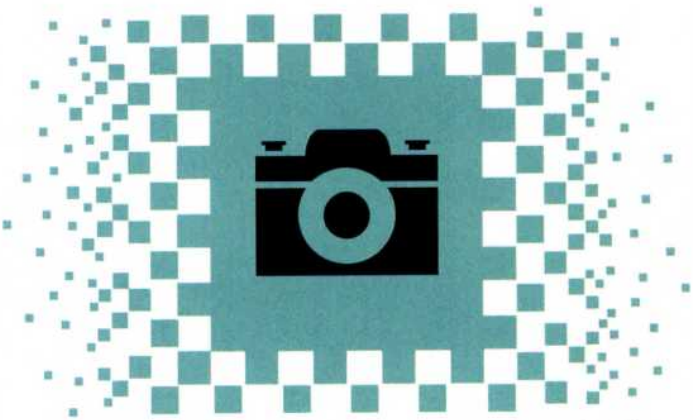
Eight years ago, I graduated from a film to a digital camera. It was a Canon A400, a 3.2 megapixel (MP) camera with a 2.2x optical zoom, then considered 'awesome'. I took well over 10,000 pictures with it. Today, when the average smartphone has an 8 MP camera, I would be embarrassed to display my old A400 in its presence.

Most entry-level cameras, at least those under 12 MP, are hard put now to compete with the top-end camera phones. The recently launched Nokia 808 Pureview has a 41 MP camera phone which can put even some mid-level digital single-lens reflex (DSLR) cameras to shame. The pressure from camera phones has been such that many camera makers have abandoned altogether the entry-level segment and now focus on the MP competition. Their mantra: the more, the better.

So, what exactly is an MP? Simply put, a pixel is the smallest unit, or picture element, that makes up a digital photo. An MP consists of a million pixels. If, for instance, you have a 12 MP camera, it will take images which have a resolution of roughly 4,000x3,000 pixels which works out to 12 million pixels.

Average users need not bother with these numbers. For them the MP count makes little difference. My old 3.2 MP Canon and a brand new 12 MP camera will produce similar-looking postcard size and/or 6x4 prints. But you will see a difference in quality if you blow up both pictures to poster size or more. Or, if you crop a small part of the picture and blow it up to, say, 6x4 size. Not many of us need or bother to do that.

It does matter, though, to professional photographers. More is definitely better for this tribe. If a photographer takes a long shot of a political rally using the latest 36 MP Nikon D800 he will be able to crop a portrait of one of the leaders on the dais and print it, with the distinctive features of the leader intact. This would be impossible with a 12 MP camera.



SANTOSH

Canon has not yet seriously joined the MP race, but may soon do so. Its flagship DSLR, the EOS 5D Mark III, is a modest 22.3 MP. In comparison, arch-rival Nikon's latest entry-level DSLR camera, the D3200, is all of 24 MP. During a recent interaction, Masaya Maeda, Managing Director and Chief Executive of Canon's Imaging Communication Products, told me he believes high resolution cameras should be for professionals alone. "We are focused on providing such solutions soon," he added. He said it was important to strike the right balance between the sensor, lens, auto-focus and related features, and that was what Canon would strive for. The chances are Canon's next professional camera will be high on the MP count. How high only time will tell.

But it is a win-win situation for consumers, who do not have to pay all that much more for the extra pixels populating their camera sensor. The D3200 is not priced much higher than other entry-level DSLRs, though it promises double the resolution. Most new entry-level DSLRs also feature at least an 18 MP sensor. Remember, these cameras are meant mainly for amateurs.

There is more good news for camera buyers. Along with the MPs, an average 'point-and-shoot' now offers at least 20x optical zoom, Wi-Fi capability, high definition (HD) video recording and some basic editing facility. The purists might call some of these gimmicks, but there is nothing wrong in having a handful of unnecessary features in the kitty, especially when you are not paying for it.

Meanwhile, researchers at Duke University have developed a 960 MP camera. Yes, you heard that right. And just in case you are wondering, it is equivalent to a gigapixel (GP). Seems the MP race has just begun. ◆

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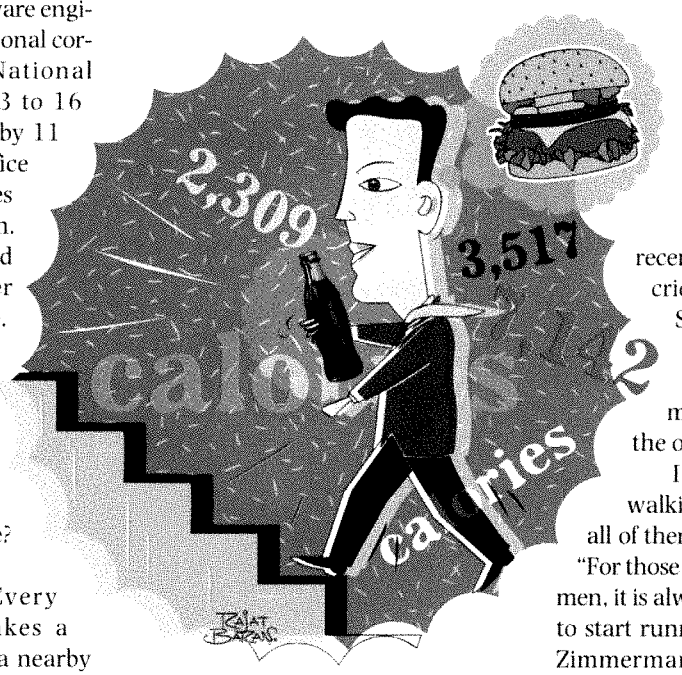
Walking Out at Work

Dearton Thomas Hector shows how to stay fit despite being too busy to exercise

Sriraj Paul, 26, a software engineer with a multinational corporation in the National Capital Region, works 13 to 16 hours a day. He clocks in by 11 a.m. and never leaves office before midnight, sometimes even staying till 2 or 3 a.m. Every morning it is a mad rush to get to work after waking up at around 9.30. He invariably skips making breakfast, and by the time he reaches office, there is no breakfast available at the office's canteen as well. Is such a lifestyle sustainable? Does he exercise at all?



In fact, he does. Every evening at 7.30 he takes a break, hopping across to a nearby stadium to run a few laps. At work he eschews the elevator, always taking the stairs to his fifth floor cubicle. "I have a healthier lifestyle than most software engineers I know," he says.

It is not only software engineers. All those with demanding work schedules find it difficult to put time aside to work out. But doctors and fitness experts endorse Paul in pointing out that even those whose impossibly busy schedules leave them little spare time can stay fit if they work some routine physical activity into their frequently sedentary lifestyles. Even walking up to the television set to switch it on manually instead of using the remote, running down to the canteen for lunch rather than having it at one's desk, walking up to the coffee machine for a cup of coffee rather than sending the office boy to fetch one, or walking around while speaking on the mobile phone, makes a difference. Merely staying on one's feet for a length of time does good too: to improve general health, it is worth holding meetings in a room without chairs.

Besides, some exercises can be performed while at work. "Everyone can do a bit of stretching or shoulder rotations," says Marc Zimmerman, head trainer at SportsFit, the company recently launched by India's cricket captain Mahendra Singh Dhoni to set up a chain of gyms. "Or he can park his car a kilometre away and walk to the office."

Indeed the benefits of walking regularly – and not all of them physical – are legion. "For those beginning a fitness regimen, it is always better to walk than to start running right away," adds Zimmerman. "Walking puts less pressure on the knee joints."

A global wellness company, Stepathlon Lifestyle Pvt Ltd, which works with companies to get their employees to walk more, also set foot in the country in early June. It will soon launch a pedometer-based, mass participation programme to get people to walk at least 10,000 steps a day for 100 consecutive days. "A healthy employee is one who is most productive too," says Ravi Krishnan, the company's co-founder and CEO. "Our programme is intended to create awareness of the benefits of an active lifestyle." ◆

The number of steps you must take to work off the calories added each time you consume

A can of cola	A glass of beer	Two gulab jamuns	An aloo parantha	A masala dosa	A plate of sambar vada	A plate of aloo chat	A plate of pav bhaji	A plate of butter chicken
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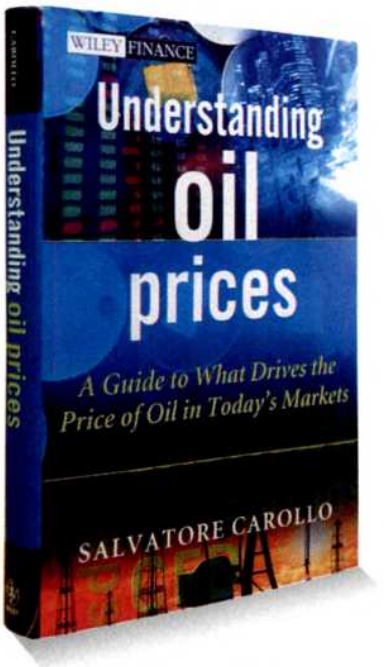
The Crude Truth

Oil pricing is complex, and bucks the usual demand and supply theory, says this book

Why do oil prices rise? Every time there is a hike we curse the government for the high taxes it levies on petroleum products. A handful of us blame that greedy cartel – the Organization of the Petroleum Exporting Countries (OPEC). Some crackpots even go to the extent of giving it a 'clash of civilisations' spin. A few Americans blame it on Indians and Chinese whose newfound appetite for oil is burning a hole in their pockets. Analysts typically offer reasons such as the tensions in West Asia or the reduction in spare crude production capacity. But what if all these reasons are wrong and the rise or fall of crude prices has little to do with the established economic model of demand and supply?



Understanding Oil Prices
A Guide to What Drives the Price of Oil in Today's Markets
By Salvatore Carollo
Wiley
Pages: 168; Price: $60

In *Understanding Oil Prices*, author Salvatore Carollo tries to build a strong case for precisely that. Drawing on his experience of working in downstream petroleum units, in refining, market research and supply and trading of crude oil, Carollo explains the complex oil market. An easier narrative, though, would have made the book more readable.

First, he demolishes the demand/supply theory by pointing to the spectacular rise in crude prices to $147 a barrel in 2008, followed by their crash to below $40 levels during the financial crisis, and the subsequent recovery to $120 levels in 2009. He argues that during that period there was no change in the physical demand and supply position. He maps demand/supply and prices over 32 quarters between 2003 and 2010 to show that the traditional economic model fails in 19 quarters.

Instead, Carollo attributes high crude prices to structural problems in the industry, especially the lack of refining capacity to produce high-quality gasoline that the US and Europe now requires, as well as low spare capacity to produce the light quality crude needed for the high-quality gasoline. Thus crude price is determined by the demand for high-end gasoline – a finished product – and by financial speculation.

Carollo compares the advent of financial speculators to the Aesop fable in which a horse, accustomed to drinking at a fountain of fresh crystalline water, one day sees a boar dirtying the spring water. The horse decides to seek the help of a hunter, who, riding the horse, follows and captures the boar. But with the task completed, the man discovers the usefulness of the horse and decides to put a rope around its neck so that it cannot escape. In Carollo's extended metaphor, the horse stands for oil companies, the boar for market turbulence, and the man (hunter) for the futures market. It gives an accurate snapshot of what happened in the oil sector in the last two decades.

The book traces the development of the oil market, the impact of environmental laws, how pricing power shifted from the oil companies to OPEC over the years, and the speculators' role at present. He believes that if structural problems are not corrected and financial speculation reigned in, America will be forced to import petroleum products from China and India in the future. A far-fetched theory for an Indian, music to Chinese ears and a horror scenario for Americans, indeed. ◆

N. MADHAVAN

The book traces the oil market's development, the impact of environmental laws, how pricing power changed hands from the oil companies to OPEC over the years and the speculators' role

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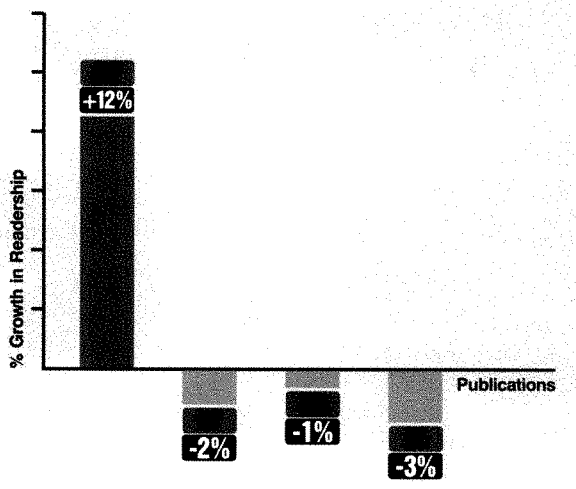

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Source IRS 2012 Q1 v/s 2011Q1 (Delhi-NCR)

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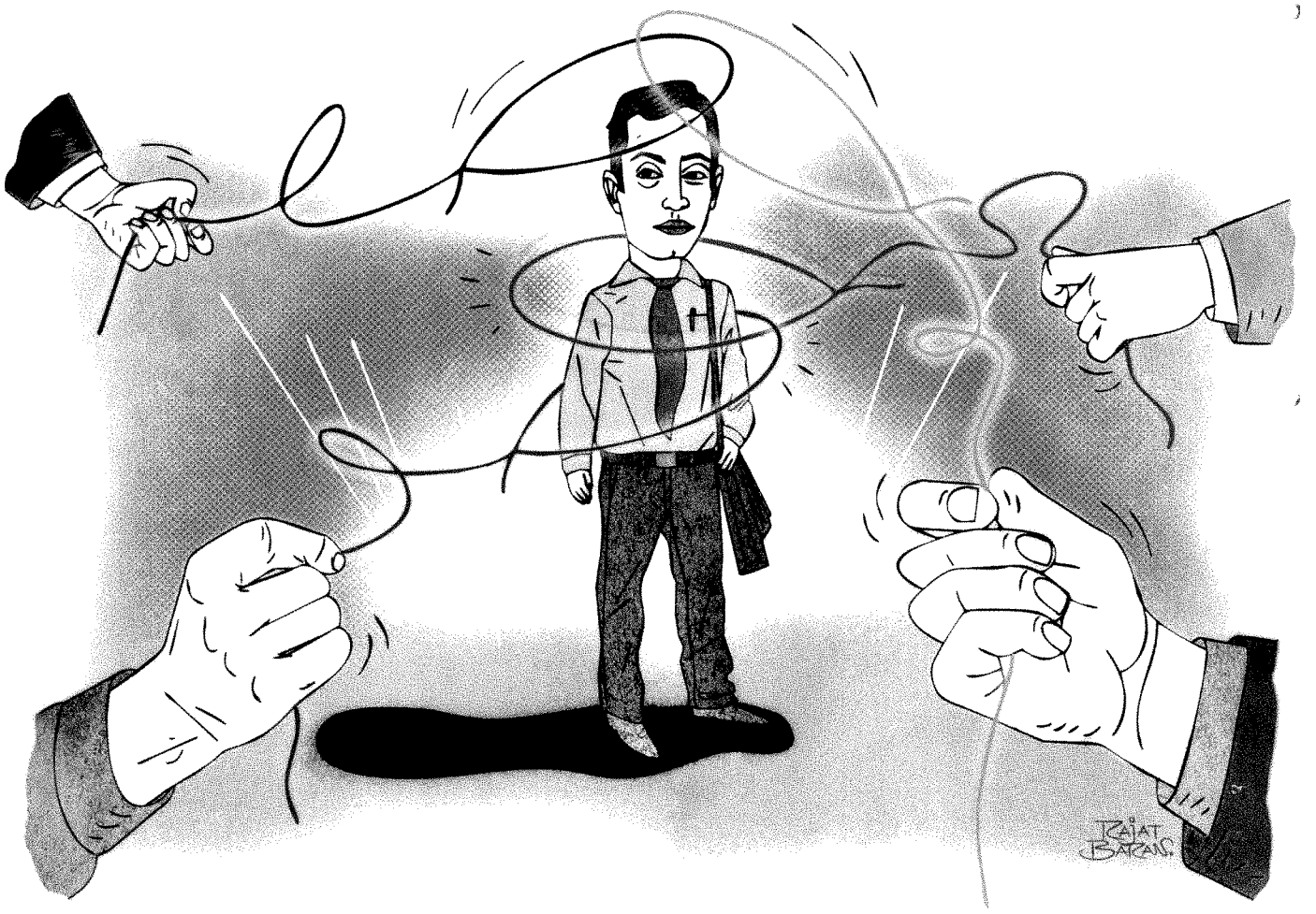


Big Game Hunting

Poaching talent is rampant among ecommerce companies, says Manasi Mithel

Despite just five years of experience behind him at career portal Naukri.com, software architect Anurag Godika got two job offers simultaneously. The first was from a Delhi-based start-up he will not name, which wanted him as Director of Engineering. The other was from travel portal Expedia.co.in which he accepted, getting a 40 per cent salary hike in the bargain. "Both offered me similar salaries, but I felt I could make a bigger difference at Expedia," he says.

Anand K, who began working only 18 months ago, also got a 40 per cent raise when he recently quit footwear portal BeStylish.com to join AllSchoolStuff.com – which sells every kind of school-related product online – as an Assistant Manager. Harsh Rawat, who also joined AllSchoolStuff.com as Category Manager, quitting online retail store HomeShop 18, got a 35 per cent hike. "I got the offer in February and decided to shift," he says.

Talent poaching is a common enough phenomenon across the globe, especially in sunrise sectors, but in India's fledgling ecommerce industry it has acquired pandemic proportions. There is limited talent available – more so, of the tried and tested kind – and the plethora of ecommerce companies that have mushroomed all want as much of it as they can get. "Companies want to hire from competitors," says

Ashutosh Khanna, Director, WalkWater Talent Advisors, a Bangalore-based recruitment firm which draws 25 to 30 per cent of its revenues from its ecommerce clients. "They all draw from a limited pool of people who have a background of dealing with the B2C (business-to-consumer) model."

Prateek Srivastava, Manager, Technology Practice, Elixir Consulting, a recruitment solutions provider, feels the churning is due to the sector's rapid growth in this country. "In India, ecommerce is on an upswing, witnessing 40 to 45 per cent growth while the world over it is growing at just five to seven per cent annually," he says. There are not enough qualified people available. "The supply and demand right now is unequal," says Purva Misra, Senior Vice President, Human Resources, MakeMyTrip.com.

Naturally those with the right expertise are making hay. Every job change means much more money for the employee (see *Sweet Temptation*) and the additional income does not wholly reflect in his monthly salary cheque. "Shifting jobs gives a person the opportunity to create wealth through stocks options, retention bonuses and at times part-ownership too," Srivastava adds.

Many feel this is a temporary phenomenon which will die out in due course. "There is great demand. A lot of venture capital is also flowing into the sector. So poaching is bound to happen," says Peyush Bansal, Founder and CEO, LensKart.com, which sells eyewear online. He, however, also points to a pitfall of hiring indiscriminately. "This way we end up hiring a great deal of unnecessary talent." Alongside unnecessary talent, is talent that does not measure up. It is difficult to estimate how much a company bleeds when a hire fails to adequately perform the function he has been hired for, but Ronesh Puri, Managing Director, Executive Access, a recruitment firm, puts the loss at 26 times the candidate's compensation bracket.

> "In India, ecommerce is witnessing 40 to 45 per cent growth, while the world over it is growing at just five to seven per cent annually"
> **Prateek Srivastava**
> Manager, Elixir Consulting

But already some ecommerce companies are setting themselves limits. LensKart, for instance, has strict rules against poaching. Candidates are employed only if they have not changed jobs frequently in the recent past, and are not offered more than a 15 to 20 per cent hike over their existing salary. LensKart employees get a cash incentive of ₹10,000 for internal referrals that fill vacancies – but only if the person chosen stays with the company for at least three months. Again, HealthKart.com will never make outrageous offers to lure people away from other firms, no matter how qualified or talented they are. "We have a band beyond which we do not pay a candidate," says Prashant Tandon, its Co-founder and CEO. It offers a 20 per cent hike to new hires.

Others have taken steps to guard their own flock. Snapdeal.com, for instance, has company policies which discourage employees who have resigned from joining another ecommerce company for a period of six months to two years after leaving. MakeMyTrip has verbal and written agreements against poaching with 30 other organisations.

Venture capital firms are also playing a key role in curbing poaching and excessive job-hopping. Since most ecommerce outfits are VC funded, the latter can tighten the screws. "They ensure that there is no poaching from one another at least from among the companies each one is funding," says MakeMyTrip's Misra.

She is not unduly worried, however, about the frequent comings and goings. "In times to come the talent pool will expand," she says. "Education will get more Internet and ecommerce oriented, and there will also be infusion of talent from outside the country." But till that happens companies will fret, while job hoppers have a field day. ◆

Sweet Temptation

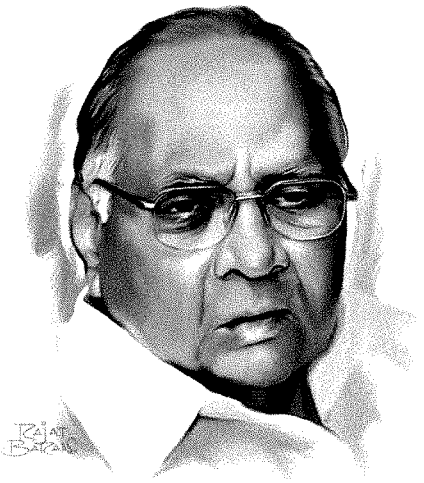
The salary raises ecommerce firms offer, in different departments at different levels, while poaching from rivals

	Junior	Middle*	Senior
Technology	10-15	15-30	20-50^
Product management	15-25	15-35	30-50^
Sales/business development	10-20	15-25	25-40

*Stock options (case to case basis)
Figures in %

^Stock options to all
Source: Elixir Consulting

In 'Pawar Save' Mode



Sharad Pawar
Agriculture Minister and NCP chief

SHARAD CHANDRA GOVINDRAO PAWAR, 71, does not usually take combative public postures. Though the Agriculture Minister and Nationalist Congress Party chief has had his differences with his United Progressive Alliance partner, the Congress, ever since their coalition came to power in 2004, he has always given the impression of being a staunch ally. Indeed, only weeks ago he refused to back NCP co-founder Purno Sangma's Presidential bid, forcing Sangma to quit the party. Yet, just after the Presidential poll results, Pawar sparked a crisis by threatening to withdraw his party from the government and provide only outside support.

Obviously he was miffed. But why? "Sharad Pawar was always a responsible UPA leader," says Heavy Industries Minister Praful Patel, his party colleague and confidante. "But we were not being included in many decision-making processes."

That may not be the only reason. Perhaps the elevation of Defence Minister A.K. Antony to the No.2 spot in the Cabinet, after Pranab Mukherjee quit to contest the Presidential poll, upset him. Though NCP has only nine members in the Lok Sabha, Pawar held the No.3 spot, after the Prime Minister and Mukherjee, and may have expected a promotion to No.2. "NCP may be a small party, but the stature and experience of its leader should be respected," says another NCP insider.

Pawar, who first became a legislator in the Maharashtra assembly in 1967, has been chief minister of the state four times. He was even in the race for prime ministership in 1991, but later settled for the defence portfolio in Narasimha Rao's government. He has been in and out of the Congress, quitting for the second time in 1999 – after which he formed NCP.

There may be still other reasons for Pawar's annoyance. For someone who began his political career chasing away profiteering traders from the Pune *mandi* and helping farmers get remunerative prices, Pawar has been peeved by the various curbs recently imposed on sugar, milk and cotton exports, which affect sections of farmers adversely. He was incensed when, in March this year, the Commerce Ministry banned cotton exports – the order was withdrawn later – without even informing him. He complained to the PM in April after a group of ministers limited cotton exports. Again, he was perhaps the only one in the government who pointed out the fiscal burden of implementing the Food Security Bill.

Yet his own performance as agriculture minister has hardly been spectacular. The agricultural sector has neither seen high growth nor reforms. The recommendations of the National Commission on Farmers have not been implemented. Until last year, Pawar held the Food and Consumer Affairs portfolio too, where he failed to control soaring food prices. His involvement in cricket management – first, as head of the Board of Control for Cricket in India, and later of the International Cricket Council – sparked criticism that he was not focusing enough on his ministry. The NCP has also had its problems in Maharashtra, where too it is in coalition with the Congress. A recent white paper on agriculture hinted at a potential irrigation scam, with NCP leaders allegedly involved.

For the time being, NCP has withdrawn its threat following the proposal to set up two coordination panels, one at the Centre and the other in the state, to give allies more say in decisions. If nothing else, Pawar has shown he cannot be taken for granted.

SEBASTIAN P.T.

Heading 'the Other WTO'

When he turned 40, **SIM JUEK WAH**, then a successful Singapore businessman, took on a radically new role. He gave up his business and turned to improving sanitation for the poor – but with a market-based approach. Popularly known as Jack Sim, he is the founder of the World Toilet Organization, or 'the other WTO' as he puts it, which has branches in 86 countries. Sim was recently in New Delhi to launch a mobile application called 'Sani Tool', which suggests the best 'toilet solutions' for poor and rural homes. "Poor people are also buyers," he says. "We want to shame them into using toilets." Sani Tool was developed by Grameenmobia, a social enterprise which works on technology solutions for the poorer sections. Sim is also a sculptor and likes to put up his sculptures on Singapore's streets without seeking permission. "They stay there for years... Someone needs to change the status-quo to make the world a better place," he says.

ANAND J.

ADITYA KAPOOR/www.indiatodayimages.com

UMESH GOSWAMI/www.indiatodayimages.com

Net Protector

India is high priority for **EFFENDY IBRAHIM**, Director, Asia, Symantec, the world's largest security vendor. Not because of the ever-growing number of computer and smartphone users in this country, but because one in four of all malware infections originate from here too. "We are doing a lot in India," says the Singapore-based Effendy. Symantec has 3,500 employees here with Research and Development centres in Pune, Chennai and Bangalore. "Pune is our largest global innovation centre with 120 patents," he adds. In 2011, a year that saw a 93 per cent increase in mobile threats, Symantec blocked more than 5.5 billion threats globally.

NANDAGOPAL RAJAN

Effendy Ibrahim
Director (Asia), Symantec

Sandeep Goyal
Adman-turned-entrepreneur

Ad-ding to his Achievements

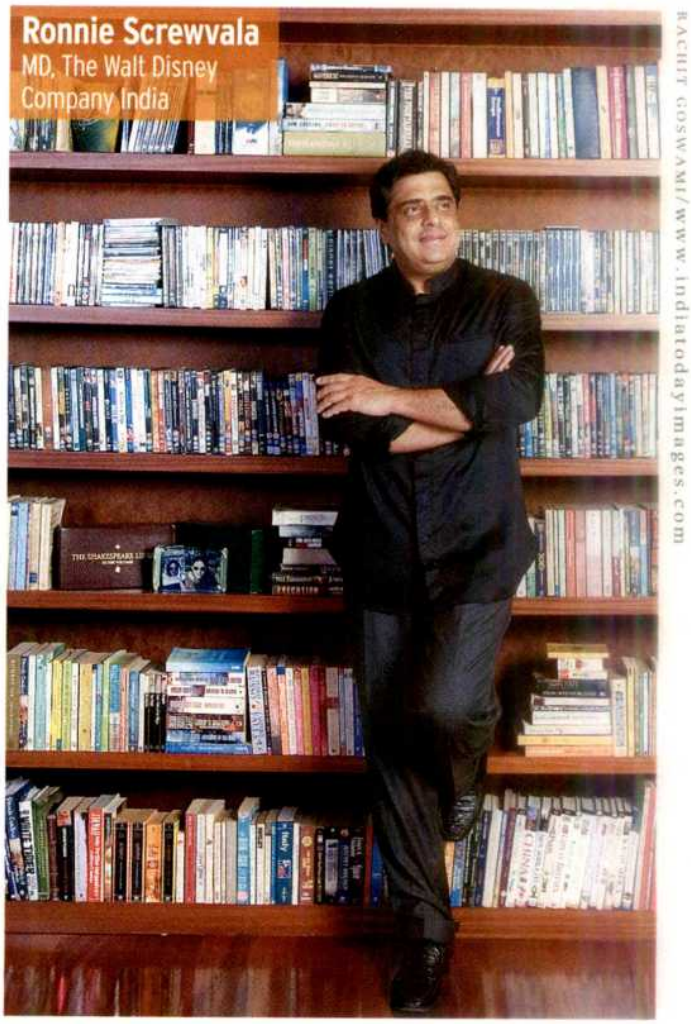
ANDEEP GOYAL may have sold is share in advertising giant entsu, but he remains as busy ever. He is still involved with hat he likes best: creative and edia solutions for mobiles. "I ork a lot with Airtel. Many dvertisers do not know the basics of having the right presence on the hand-held device," he says. Along with launching mobile creative agency Mobocracy, Goyal has now launched Mobiwise to address issues of media optimisation. "In the future, almost 80 per cent of Internet search will be on wireless devices. Most clients do not have sites that are optimised for the medium. We offer creative solutions," he says. Goyal is also a passive investor in 'FoodFood' channel promoted by ace cook Sanjeev Kapoor.

SHAMNI PANDE

New Show

ROHINTON 'RONNIE' SCREWVALA is known for his signature style of launching business ventures, incubating them up to a point, and then selling them off when the time is right. Now, having sold his 19 per cent stake in UTV Software Communications to Walt Disney last year, he is sitting on a cash pile of ₹900 crore. What does he plan to do with it? He will invest in companies engaged in sectors other than his core area of media and entertainment, he says. He sees immense potential in the social sector – rural health care, education and agriculture. His private equity fund Unilazer Ventures, with a corpus of around ₹300 crore, will provide the seed capital. And wife Zarina Mehta is taking charge of their foundation SHARE, or Society to Heal, Aid, Restore and Educate, as Managing Trustee.

ANUSHA SUBRAMANIAN



Ronnie Screwvala
MD, The Walt Disney Company India

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

NARESH GUPTA

Sr VP, Adobe Systems, and MD, Adobe India

My leadership style

- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
N.R. Narayana Murthy

The leadership lesson I remember the most
To build a great business you need to think like your customer all the time

A book I would recommend on leadership
Good to Great by Jim Collins

The difference between a manager and a leader
Managers tend to focus more on problems whereas leaders focus more on the opportunity

All good managers are good leaders
No

As told to Vivan Mehra

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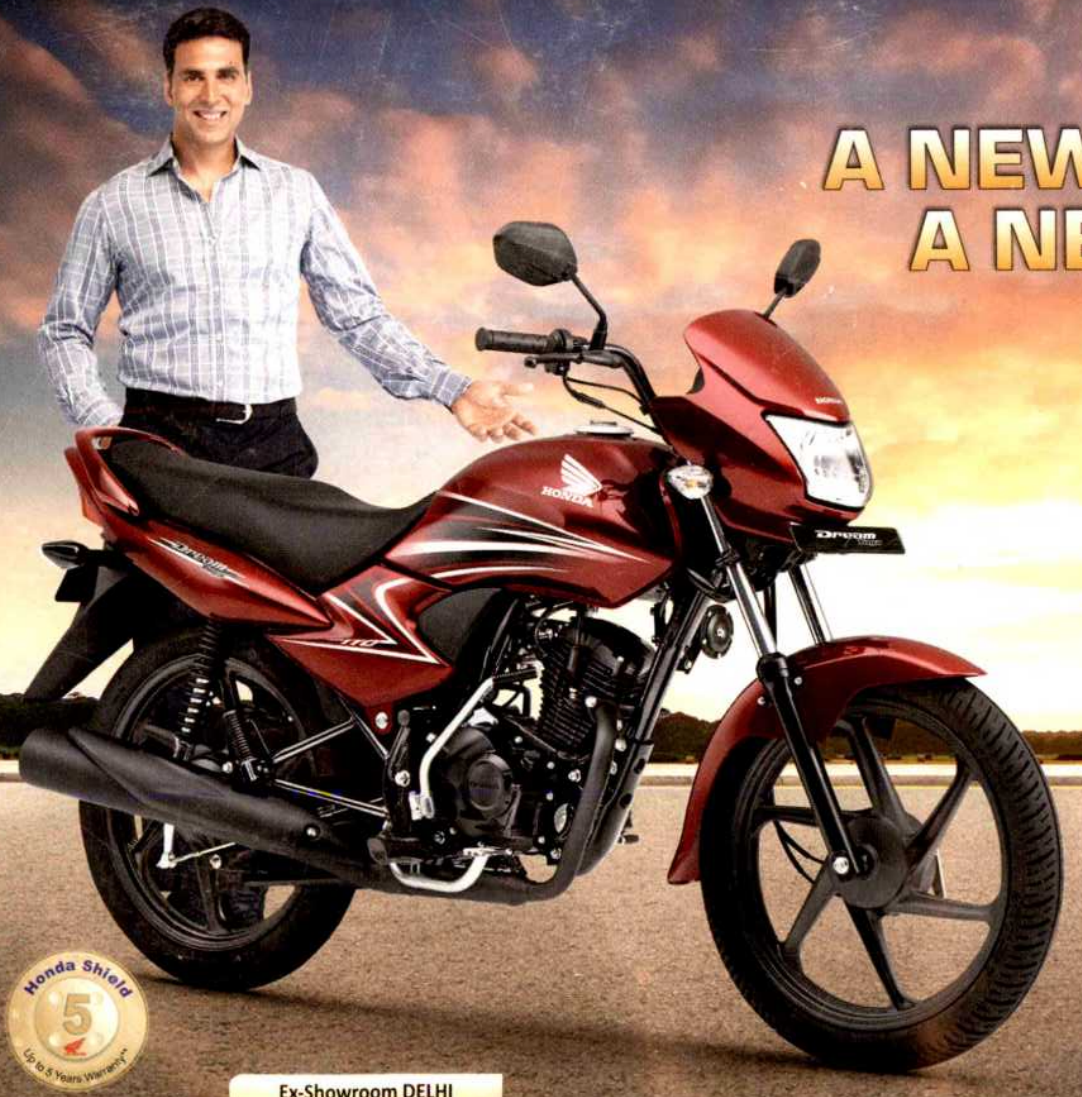

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